

Fringe benefits, employment, and labor mobility

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BUSINESS WEEK

A McGRAW-HILL PUBLICATION

FIFTY CENTS

JUNE 6, 1959



In Boston, when Paul Cabot speaks to Ralph Lowell, they talk the language of the Prudent Man. (Finance)



PIRATES! in the sea of corn

ANY BUCCANEER who ever sailed under the Jolly Roger would be happy with a tiny cut of the plunder *corn borers* take from cornfields every year. But now, with Shell Chemical's insecticide *endrin*, the sailing is rough for insect freebooters.

Corn borers burrow into cornstalks, eating them hollow while hidden from view and protected from attack. Stalks sag and bend, ears are small and poorly formed because nourishment is cut off.

Now endrin kills hungry corn borers *before* they have a chance to do their disappearing act. The result: cornstalks perk up their ears . . . farmers build up their profits.

The development of more powerful insecticides to fight caterpillars like corn borer, sugar cane borer and armyworm is still another way Shell Chemical helps guard an abundant land.

Shell Chemical Corporation

Chemical Partner of Industry and Agriculture

NEW YORK



in BUSINESS this WEEK June 6, 1959

GENERAL BUSINESS

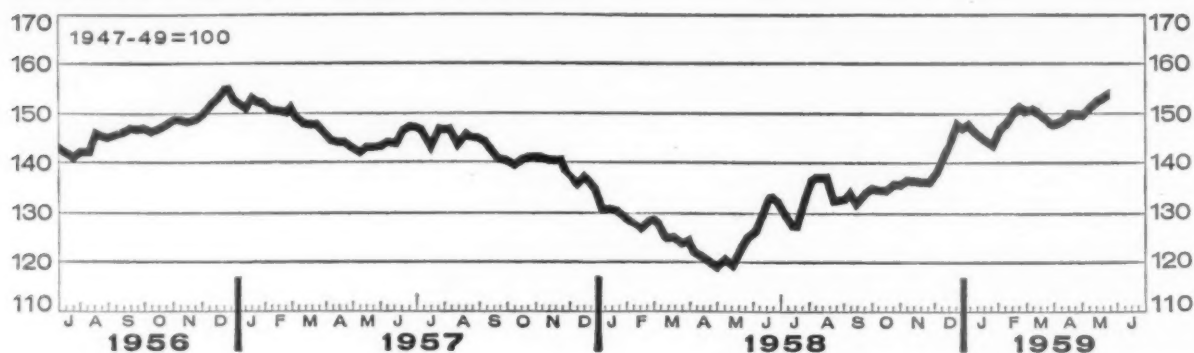
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BUSINESS WEEK INDEX (chart)

1953-55 Average	Year Ago	Month Ago	Week Ago	\$ Latest Week
133.3	126.6	150.4	†153.8	*154.8

PRODUCTION

Steel ingot (thous. of tons).....	2,032	1,685	2,604	†2,650	2,674
Automobiles and trucks.....	132,806	92,254	154,719	169,551	150,819
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$52,412	\$83,863	\$62,490	\$81,948	\$81,705
Electric power (millions of kilowatt-hours).....	10,819	11,155	12,546	12,931	12,761
Crude oil and condensate (daily av., thous. of bbls.).....	6,536	6,242	7,113	7,216	7,203
Bituminous coal (daily av., thous. of tons).....	1,455	1,212	1,349	†1,376	1,393
Paperboard (tons).....	247,488	247,209	320,662	317,985	326,467

TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars).....	70	57	65	66	65
Carloadings: all others (daily av., thous. of cars).....	47	38	43	50	49
Department store sales index (1947-49 = 100, not seasonally adjusted).....	121	128	141	137	140
Business failures (Dun & Bradstreet, number).....	198	278	275	259	264

PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	412.8	400.8	390.1	387.4	389.3
Industrial raw materials, daily index (BLS, 1947-49 = 100).....	89.2	81.9	91.6	92.0	92.3
Foodstuffs, daily index (BLS, 1947-49 = 100).....	90.5	92.7	81.8	82.7	82.1
Print cloth (spot and nearby, yd.).....	19.8¢	17.4¢	18.8¢	19.1¢	19.2¢
Finished steel, index (BLS, 1947-49 = 100).....	143.9	181.6	186.7	186.7	186.7
Scrap steel composite (Iron Age, ton).....	\$36.10	\$35.83	\$33.83	\$35.83	\$37.17
Copper (electrolytic, delivered price, E & MJ, lb.).....	32.39¢	24.74¢	31.56¢	31.55¢	31.51¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.34	\$2.38	\$2.03	\$2.06	\$1.98
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	**33.77¢	34.78¢	34.62¢	34.63¢	34.63¢
Wool tops (Boston, lb.).....	\$1.96	\$1.62	\$1.78	\$1.77	\$1.82

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	31.64	44.34	57.65	58.19	58.44
Medium grade corporate bond yield (Baa issues, Moody's).....	3.59%	4.58%	4.92%	5.00%	5.02%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	2-2½%	1½%	3½%	3½%	3½%

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	57,848	55,434	57,804	56,222	56,710
Total loans and investments, reporting member banks.....	84,642	92,100	94,666	94,856	94,604
Commercial and agricultural loans, reporting member banks.....	24,180	29,795	31,330	31,674	31,764
U. S. gov't guaranteed obligations held, reporting member banks.....	33,275	31,093	29,276	28,972	28,718
Total federal reserve credit outstanding.....	26,424	24,994	27,212	27,989	27,548

MONTHLY FIGURES OF THE WEEK

	1953-55 Average	Year Ago	Month Ago	Latest Month
Private expenditures for new construction (in millions).....	\$2,390	\$2,752	\$2,918	\$3,160
Public expenditures for new construction (in millions).....	\$980	\$1,248	\$1,254	\$1,435
Consumer credit outstanding (in billions).....	\$34.1	\$42.6	\$44.2	\$44.9
Installment credit outstanding (in billions).....	\$25.2	\$32.9	\$33.9	\$34.5
Manufacturer's inventories (seasonally adjusted, in billions).....	\$45.2	\$51.5	\$50.3	\$50.8
Imports (in millions).....	\$902	\$1,057	\$1,301	\$1,221

* Preliminary, week ended May 30, 1959.
† Revised.

†† Estimate.
** Ten designated markets, middling 11 in.

‡ Date for 'Latest Week' on each series on request.
Insufficient trading to establish a price.

THE PICTURES—Cover—Herb Kratochvil; 24—Herb Kratochvil; 28—Frank Ronan; 30, 31—Bern Keating; 44, 45, 46, 48—Peter Weaver; 56, 57—Herb Kratochvil; 94—(top) Dominion Steel & Coal Corp., (bot.) Grant Compton; 95—(lt.) Grant Compton, (rt.) Dominion Steel & Coal Corp.; 104—Russ Melcher; 106—Robert Phillips; 118—UPI.

B.F. Goodrich



Nine million tons came up here

B.F. Goodrich improvements in rubber brought extra savings

OUT of that man-made hole (so deep a 30-story skyscraper wouldn't reach the top) enough iron ore has come up in the last ten years to make the steel for 2½ million automobiles. A cubic foot of the stuff weighs 125 pounds; it comes up the steep hill, ½ of a mile long, at the rate of 18 tons a minute.

A hole this deep once would have needed at least three belts dumping from one to the other. No belt was strong enough to pull all the weight the whole distance.

Then B.F. Goodrich developed a steel-wire-and-rubber belt, with twisted wire strands running lengthwise, each strand completely surrounded by rubber. There is half a mile of wire in every foot. Now one long belt does the whole job, has carried over 9 million tons, is still in use. It has lasted longer than any conveyor belt ever made with steel cords or cables.

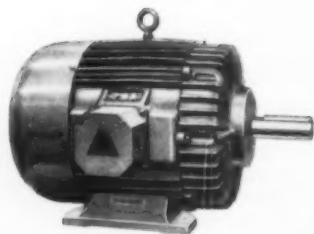
This stronger conveyor belt is typical of what happens when B.F. Goodrich engineers set out to improve a product

so that it will last longer, stand more abuse. That's why it pays to call a B.F. Goodrich distributor before you buy rubber products, let him tell you what new developments B.F. Goodrich has made in them.

At this iron mine money was saved by eliminating "transfer points", which would have been necessary in any system built in several stages with ordinary belts. Fewer transfer points meant less expensive equipment in the first place, and maintenance cost was reduced every year. *B.F. Goodrich Industrial Products Co., Dept. M-614, Akron 18, Ohio.*

B.F. Goodrich *industrial rubber products*

Delco delivery



Delco Delivery Time

How does this fit in with your production schedule! Delco Products offers from in-stock to three weeks delivery on integral h.p. polyphase motors. This includes rerated 182 through 445U frame sizes. In many cases overnight delivery is available! A modern assembly system, geared to your needs, makes this type of quick delivery possible. Now you can be sure of faster delivery, plus the quality and performance for which Delco Motors are famous. Always call Delco Products for the best possible motor in the least possible time.



DELCO MOTORS

*Delco Products, Division of General Motors, Dayton, Ohio
Branch Offices in Principal Cities*

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READERS REPORT

Good Men

Dear Sir:

Your story on Screening Out the Misfits [BW—May 9 '59, p82] failed to estimate how many of those excluded from seeing service in World War II by the high rejection rate prior to induction would have proved good soldiers. I believe it will eventually be admitted that "procedures used during World War II to weed out the emotionally unstable were far from successful" not only because they left a half million "slip by," but because they kept good men out.

Very possibly the basic defect in the wartime doctors who used these procedures was their confusion of "emotional nonconformity" with "emotional instability."

STEPHEN B. MILES, JR.
LOS ANGELES, CALIF.

Names Omitted

Dear Sir:

I want to compliment you on the excellent story Automation Peps Up Post Office [BW—Apr. 25 '59, p166]. . . . You list the manufacturers of these mail-flow systems but fail to include our name.

To set the record straight, in June, 1958, competitive bids were received on the first four of these systems. The Los Angeles system went to Webb, the Washington, D. C., and Chicago systems went to Mechanical Handling, the New York General Post Office system went to Alvey-Ferguson, and the one in Boston to Butz. . . .

Thus far in 1959 only one award has been made, and that award went to Alvey-Ferguson for the system of mail-flow conveyors at the new Denver Post Office. . . .

J. B. SPAIN

PRESIDENT
THE ALVEY-FERGUSON CO.
CINCINNATI, OHIO.

Dear Sir:

I wish to inform you of the large part the A. B. Farquhar Division of the Oliver Corp. is taking in the mechanization of the nation's post offices. We are presently engaged in installing a conveyor system in the New York City Post Office and have recently been awarded an additional contract in excess of one and one-quarter million dollars, covering a second system at the same site.

Farquhar also placed a conveyor system in the Washington, D. C.,

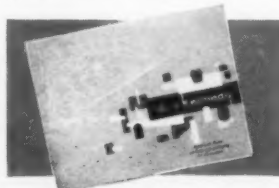
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Ask today for a free copy of "This is Kennedy" — a 16-page illustrated brochure that shows what Kennedy can do for you.



KENNEDY CAR LINER AND BAG CO., INC.
 1000 Prospect Ave., Dept. F, Shelbyville, Indiana

Offices in most principal cities. See the yellow pages in your phone book.

City Post Office. It was started in August, 1958, and completed by March, 1959. . . .

LYLE L. LENTH

PLANT MANAGER
 THE OLIVER CORP.
 YORK, PA.

Steel Jobs

Dear Sir:

On page 30 of Steel Talks Start Under Cloud [BW—May 2'59,p29] reference is made to the reduction of 1,000 steel industry job titles to 32.

The fact is that there were well over 25,000 job titles in the production, maintenance, clerical, and technical areas in use before the Cooperative Wage Study Job Classification Manual was adopted by a major segment of the steel industry. Part of the latter procedures included the adoption of some 7,500 standard titles to encompass the over 25,000 previously in use.

The reference to "32" is the number of job classes adopted—each job class carrying a single rate in a company's wage structure.

Before the CWS procedures were adopted, it was possible to have a separate rate for every employee. Thus, 32 rates reduced unknown thousands.

JOHN C. SEARS
 AMERICAN GEAR MANUFACTURERS
 ASSN.
 WASHINGTON, D. C.

Winter on the Seaway

Dear Sir:

. . . I mean to call your attention to the upper strata of the technological brains of the United States. They are now preparing, with billions of dollars appropriated by the Congress, to go to Mars. . . . However, some of us lesser brains on the lower levels are confining our studies to the immediate necessities here on earth such as disputing, as we must, your statement about winter stopping all the shipping over the Great Lakes and the St. Lawrence Seaway [BW—Apr. 11'59,p98].

. . . Let us advise you that in the last session of Congress, bills were introduced in both houses proposing to proceed with the studies of ways and means for keeping the Great Lakes and the St. Lawrence Seaway open throughout the year. In the Senate, this year in February, a bill calling for just such studies was introduced in the Senate . . .

LESTER P. BARLOW
 SHOREHAM, VT.

How the new Bell System Intercom can speed your office communications



YOU CAN TALK TO OTHERS in your office, plant, or store just by pushing a button or dialing.

YOU CAN CONFER with as many as 6 persons at once, again just by pushing a button or dialing.

YOU CAN ADD ANOTHER PERSON to an outside call, then stay on the line or get off, as you like.

YOU CAN HANDLE OUTSIDE as well as intercom calls on one phone. No extra equipment on your desk.

These are some of the ways in which this modern, pushbutton intercom system can speed your office communications. And we'll tailor it to your special needs. It will help you cut costs, improve customer service, increase profits.

You make no capital investment. You get expert maintenance at no

added cost. And rearrangements or additions will be handled by skilled Bell Telephone technicians.

Get all the facts on how this new intercom service can improve your communications. Just call your Bell Telephone business office and ask for a representative to visit you at your convenience. No obligation, of course.

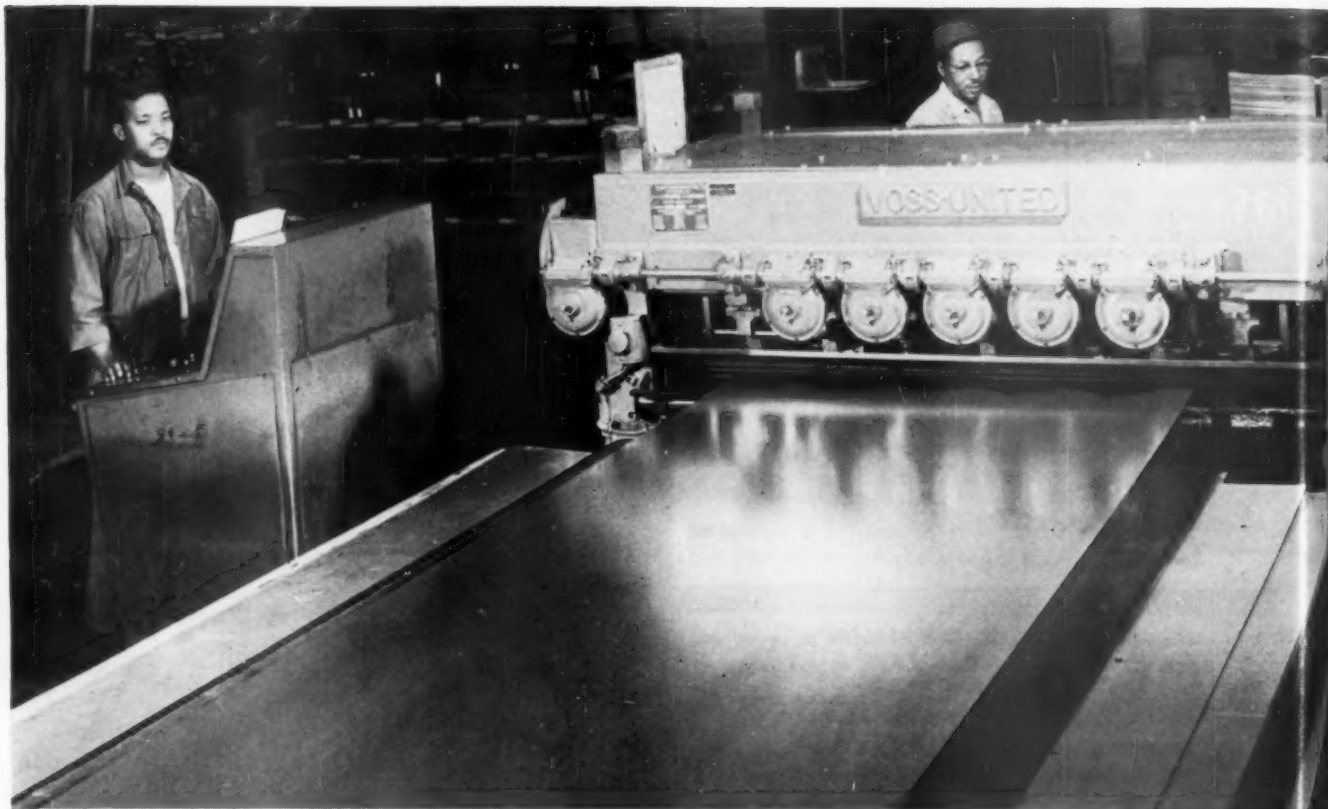
BELL TELEPHONE SYSTEM



This new Call Director telephone provides as many as 30 push-buttons for maximum use of intercom service features.

Pittsburgh Steel Sheet Used . . .

Where Flatness Makes Good Steel

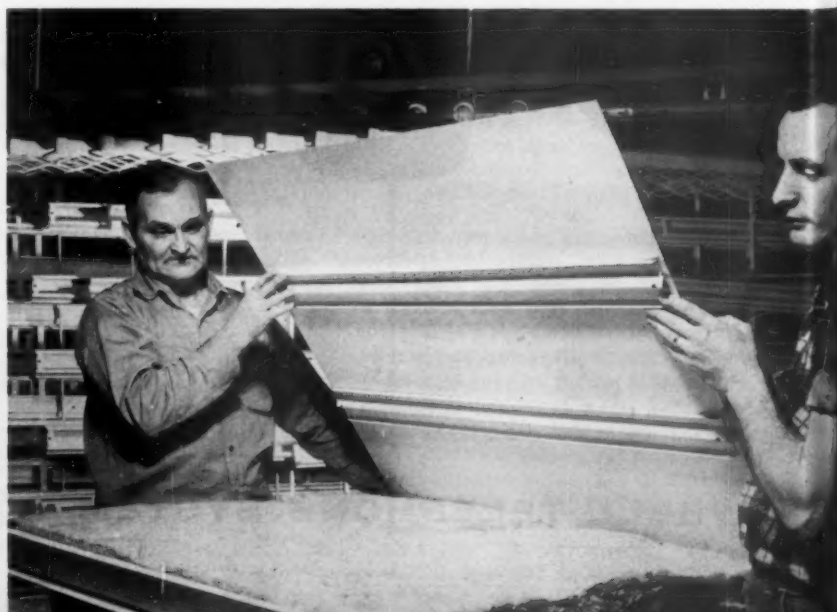


Roller leveling to achieve dead flatness is easy with Pittsburgh Steel Co. Sheet, says The E. F. Hauserman Co.

A vertical member, showing sharp corners and severe bends, is embossed and punched on this 500-ton Cincinnati press brake.



Assembly for a flush steel and glass panel is being completed here. Rock wool batting provides sound control and insulation. Note reinforcing ribs on back of panel being placed on "sandwich."



Sandwiches

E. F. Hauserman hates ripples . . . The E. F. Hauserman Co., that is.

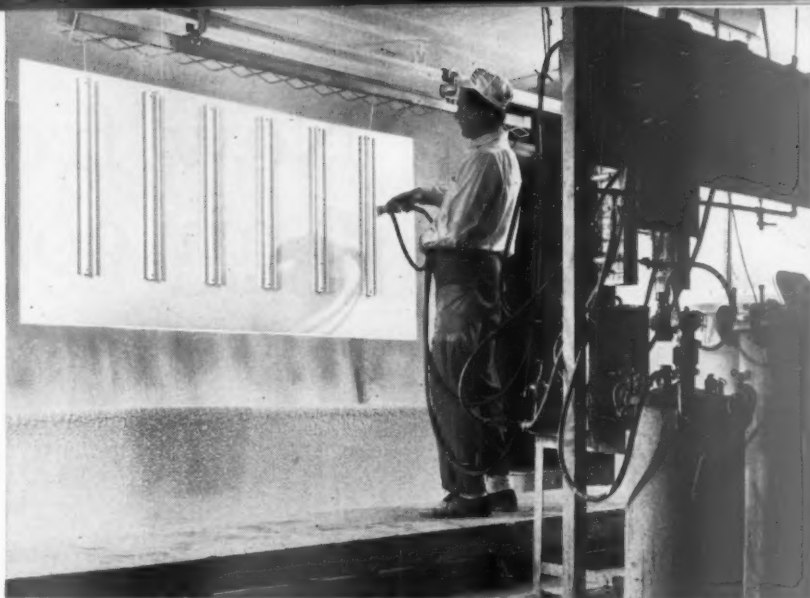
The Cleveland firm, world's largest producer of movable, interior walls, hates ripples because any kind of ripple in a wall panel is very visible to the eye. The slightest ripple produces a pattern of light and shadow.

To avoid rippling walls, The E. F. Hauserman Co. uses large quantities of cold rolled sheet steel from Pittsburgh Steel Co. because it's easy to achieve dead flatness with Pittsburgh Sheet.

Pittsburgh Steel Co. is one of the leading quality producers of cold rolled sheet steel—the most important raw product in the Cleveland plant. Hauserman must have flat panel plates which can be roller leveled to dead flatness. Sheet provided by Pittsburgh Steel helps achieve dead flatness with a minimum of processing.

The Hauserman company designs, engineers, manufactures and erects movable interior walls for commer-

Typical installation of a Hauserman movable wall can be made without chasing occupants out of offices.



Paint line shows partition panel measuring 7 feet by 36 inches getting a primer coat. Good surface of Pittsburgh Steel's sheet shows up here where any flaws would mar paint job.

cial, industrial and institutional buildings on a nation-wide scale. Steel partitions provide greater movability, better appearance, lower maintenance, earlier occupancy, good access for utilities, efficient sound control, fire safety, greater rigidity and low cost through use of economical steel.

• **Gage**—Hauserman watches gage very carefully. Their Wean slitler is equipped with an Easterline-Angus electronic recording device which makes a written record of every inch of sheet processed. Pittsburgh Steel meets specifications for gage consistently.

• **Formability**—While flatness is a prime consideration, Hauserman also insists on excellent formability in sheet steel.

A great variety of formed parts, including cornices, inner bases, post caps, bases, spreader channels and reinforcing ribs, are made with severe bends and sharp corners. In some parts a lip of steel is bent back on itself through a 180-degree angle.

Because cold rolled sheet supplied by Pittsburgh Steel takes these strains without rips or tears, Hauserman has less scrapped material.

• **Surface**—Steel panels get three in-process inspections to make sure surfaces of panels and component parts are free of flaws. Defect-free surfaces make it possible for Hauserman to spray paint with assurance that the paint job won't be marred by flaws showing through.

• **Weldability**—Finally, Hauserman demands good weldability. Component parts and assemblies are fastened by both flash and resistance spot welding. Pittsburgh sheet makes a better product and reduces operating costs by taking a good weld without slowing production.

When a sheet user as exacting as The E. F. Hauserman Co. finds Pittsburgh Steel Co. sheet meets requirements consistently, you and other sheet users can confidently order from Pittsburgh Steel. Whatever your requirements may be—flatness, formability, surface, uniformity in gage, weldability or deep drawing quality—you'll benefit from putting Pittsburgh Steel sheet on your production lines. Trained personnel is available to help with any steel problem. Call a Pittsburgh Steel man today. You'll find him in any of the district offices listed below.

Pittsburgh Steel Company

Grant Building

• Pittsburgh 30, Pa.



DISTRICT SALES OFFICES

Atlanta
Chicago

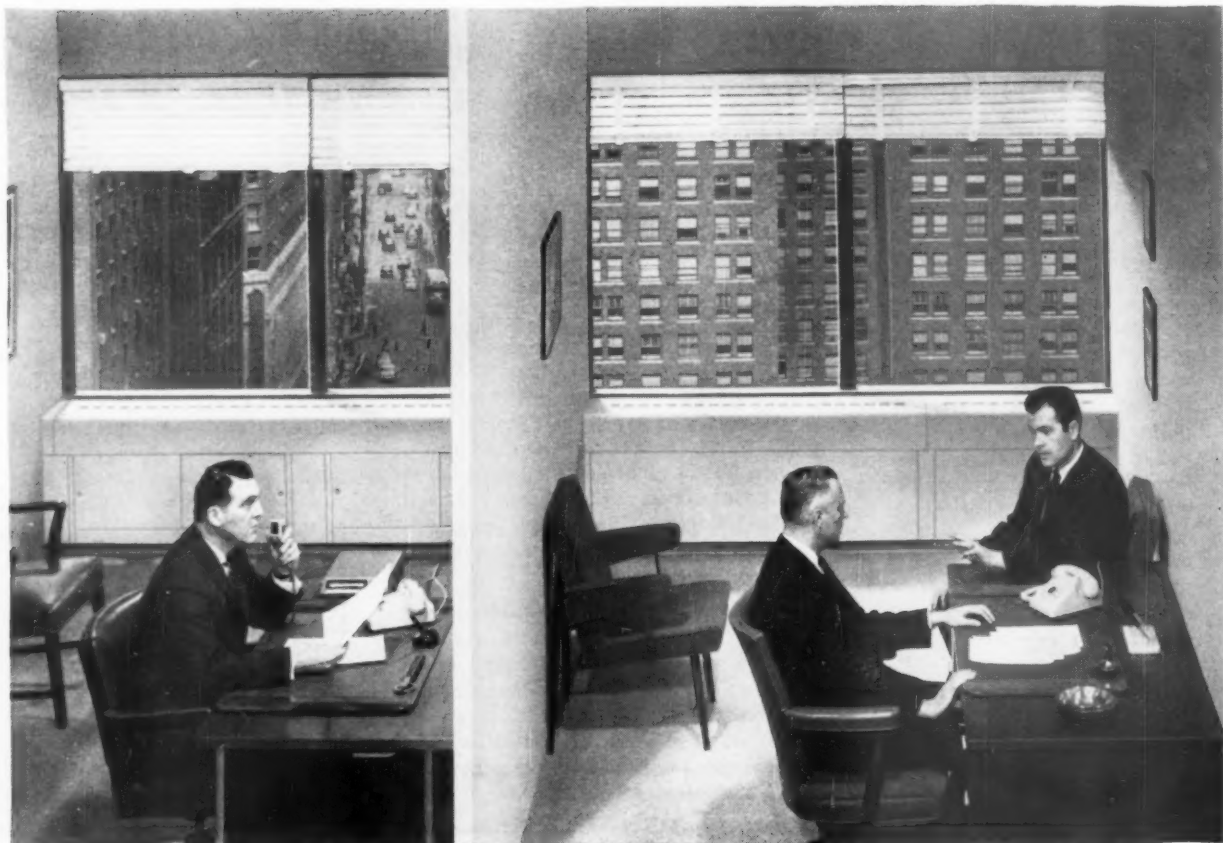
Cleveland
Dayton

Detroit
Houston

Los Angeles
New York
Philadelphia

Pittsburgh
Tulsa
Warren, Ohio

New from Trane! air conditioning

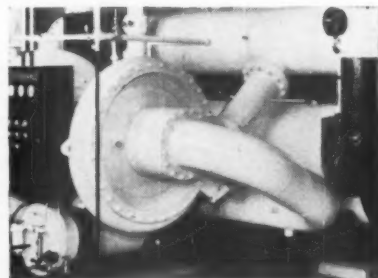


Formerly one large office, these three smaller offices are air conditioned by a single UniTrane unit with lateral duct extensions. When it was necessary to divide the space, the air conditioning system did not have to be touched! The new TRANE "Wall-Line" system is available with TRANE shelving units that are practical, attractive, enhance the appearance of any office.

Trane changes climates to order

in buses and trains, ships and planes; heats and cools factories and schools, hotels and homes. For human comfort or industrial processing—for any air condition—turn to TRANE.

Talk to the men who know all 4 related fields . . .



Air Conditioning

Cut air conditioning costs with this TRANE CentraVac water chiller. Automatically supplies the right amount of cooling. Steam or electric drive; open and hermetic types.

First true perimeter for business buildings!

Exclusive "Wall-Line" air conditioning system provides continuous blanket of comfort around the building's perimeter... meets your changing occupancy needs.

Here's the first big building air conditioning system that has been specially designed to meet your changing space and occupancy needs. Gives you flexibility to alter existing walls and partitions without altering the air conditioning system itself! Lets you design new buildings with greater freedom as to location of windows and interior walls.

It's the exclusive TRANE "Wall-Line" air conditioning system—an entirely new approach to big building air conditioning. It's economical, because it requires fewer individual air conditioning units: in many cases, *one* unit will suffice where *three* would be required with a conventional system. There's a corresponding saving in controls, piping and installation.

TRANE "Wall-Line" uses lateral duct extensions from fan-coil Uni-Trane units to form a continuous

link around the entire perimeter of the building. Conditioned air (cool in summer, warm in winter) is supplied under pressure *all along the system*. (In conventional systems, air rises only from the individual room units.) Only TRANE "Wall-Line" wraps *entire area* in a blanket of comfort!

Versatile, flexible TRANE equipment like this is used to provide ideal climates in apartments, motels, office buildings and factories... buildings of every size and type, new or existing. TRANE leadership in all phases of heating, cooling, ventilating assures you of superior product design, peak performance, with *matched* equipment for any job.

Want more facts? Have your architect or consulting engineer talk to your nearby TRANE Sales Office. Or write TRANE, La Crosse, Wisconsin.

For any air condition, turn to

TRANE

MANUFACTURING ENGINEERS OF AIR CONDITIONING, HEATING,
VENTILATING AND HEAT TRANSFER EQUIPMENT

THE TRANE COMPANY, LA CROSSE, WIS. • SCRANTON MFG. DIV., SCRANTON, PA. • CLARKSVILLE MFG. DIV., CLARKSVILLE, TENN. • TRANE COMPANY OF CANADA, LIMITED, TORONTO • 100 U.S. AND 19 CANADIAN OFFICES



Heating

Heat, cool, or both with a TRANE Climate Changer unit. Oil and gas-fired models to heat any home, store or office. Matched cooling units provide summer comfort.



Ventilating

Exhaust stale air and fumes, bring in outside air with a rugged, dependable TRANE Fan. Many special models to handle any process or comfort air handling job.



Heat Transfer

Super-high temperatures are easily handled by durable, compact, lightweight TRANE Heat Exchangers. Help create the special climates needed in industry and defense!



THE "NEW LOOK" *from a new look at plastics*

Sales success stories in recent years prove there's no better stimulant to the cash register than a "new look". At the same time, manufacturers are increasingly aware that the "new look" has to be more than just a face lift. The truth is that the consumer will buy new design as long as it offers a real improvement. Among

both consumers and manufacturers there's a swing to plastics: for the consumer they provide beauty that is functional; for the manufacturer they provide design flexibility that is practical. And for them both, from producers like Dow, there's a surge of new chemically engineered materials with built-in sales sizzle.

EVERYTHING'S NEW BUT THE WATER

**Chemically engineered Styron®
gives new look,
new sales push to Play Pool**

With the play pool having become the badge of social acceptability among the small fry, pool makers face the dilemma of providing something new for each year's new crop of young splashers. The problem lies in the fact that they can't change the most important part of the pool—the water!

More and more, plastics have provided the answer. From Dow's wide range of Styron (polystyrene) formulations one manufacturer found an answer. Styron 475 is a high impact formulation that appears perfect for pools. Its inherent toughness can withstand practically any devilishness Junior can invent. An improvement on older plastics, it has improved heat resistance, a "must" for any backyard beach. The smooth plastic provides perfect safety with its absence of rough or sharp edges. And, of course, rust just isn't!

For the manufacturer, Styron 475 in sheet form is readily available from extruders of Dow plastics and these sheets of Styron are easily and economically vacuum formed to the pool design. To top it off, the smooth surface allows the manufacturer to print attractive designs on the pool sides.

Result? Immediate sales acceptance and a companion pool made of Styron 480 which provides the same tough characteristics to larger area vacuum formed pools for larger kids with tougher ideas.





**BUILT-IN BEAUTY AND PRACTICALITY
FOR KITCHENWARE FROM A NEWER
PLASTIC, TYRIL®**

Tyрил, a recent development in the Dow family of thermoplastics, is providing both the manufacturer and the user of the milk dispenser shown here, with a "new look". Tyрил has excellent resistance to temperature extremes. To the housewife that means trouble free service in the refrigerator, beauty on the shelf; yet at dishwashing time it can stand scalding hot water. To the manufacturer, the exceptional dimensional stability of Tyрил permits close tolerances in moving parts.

**HOW TO CATCH A FISHERMAN:
TYRIL IS THE BAIT**

Perhaps no one is more susceptible to something new than the fisherman. Yet he demands that it be trouble free. Again, out of the family of Dow plastics, another manufacturer found the material that provided the perfect combination of newness and functionality. In designing the handle and reel housing of this fishing outfit, the designer chose Tyрил. Superior toughness, resistance to heat and cracking pay off for the fisherman. Its excellent molding characteristics and machinability pay the manufacturer in production economies.



OTHER DESIGNS

utilizing America's first family of thermoplastics



ETHOCEL—This control wheel for pump or lathe can really take rough and tumble shop service. It's made of Ethocel®, strongest, most durable thermoplastic on the market!



POLYETHYLENE—Here's a lightweight, rust proof minnow bucket that always floats upright. Designed in several of the many "built-in" colors possible with multi-range Dow polyethylenes.



TYRIL—A quality insulated serving jug and matched tumblers made of Tyрил! Smooth, semi-lustrous finish in a wide color selection. Won't absorb food odors.



STYRON—Several formulations were used in these colorful fishing lures: general purpose Styron for decorative characteristics, high impact Styron for strength.

**FOR MORE
INFORMATION**

about the versatile Dow plastics and the product designs discussed on these two pages, write to us today. THE DOW CHEMICAL COMPANY, Midland, Michigan, Plastics Sales Department 1511AF6-6.

• • •

INDUSTRIAL MOLDING MATERIALS

PACKAGING MATERIALS

PAINT AND COATING MATERIALS

BUILDING PRODUCTS

THE DOW CHEMICAL COMPANY
Midland, Michigan



The seaport that's 2



2250 miles from sea!

Everyone knows that the enlargement of the St. Lawrence Seaway will make Chicago one of the busiest seaports in the world.

But the Continental didn't wait for it.

For more than 75 years, now, our International Banking Department has been one of America's biggest and busiest. On a typical day, this department will exchange 1454 cables, wires and pieces of mail with 45 foreign countries, sending cargo sailing over 250,000 miles. Nor is this an "armchair" operation.

Our officers make frequent trips to commercial centers in countries around the globe . . . calling on bankers and business men everywhere from Holland to Hong Kong.

If you're interested in international trade, you'll find many advantages in dealing with men "who have been there."

Visit the Continental Illinois exhibit at the Chicago International Trade Fair and Exposition, July 3rd to July 18.



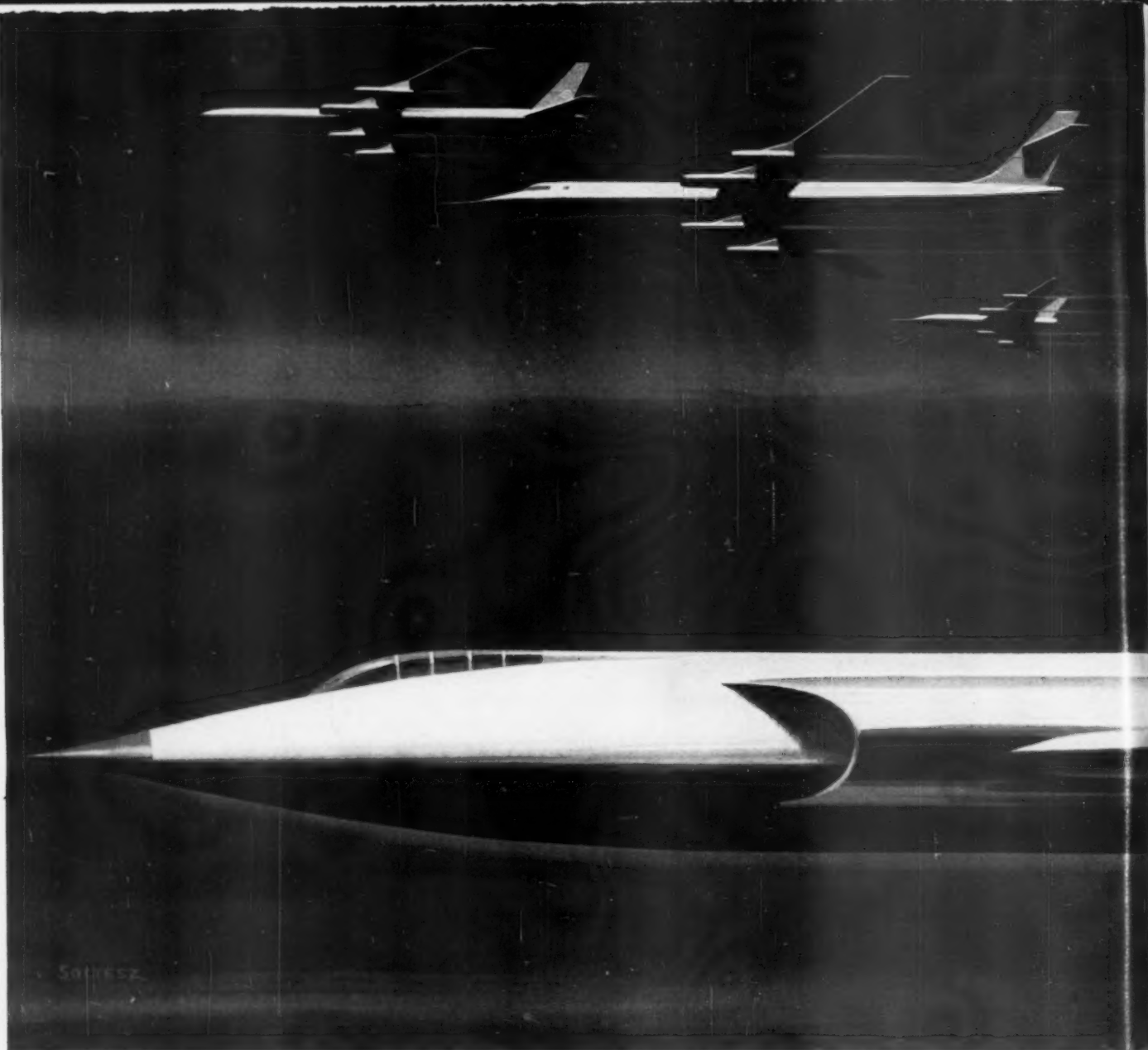
*. . . well named,
the "Continental"*

CONTINENTAL ILLINOIS

**NATIONAL BANK AND TRUST COMPANY
OF CHICAGO**

LASALLE, JACKSON, CLARK and QUINCY STREETS

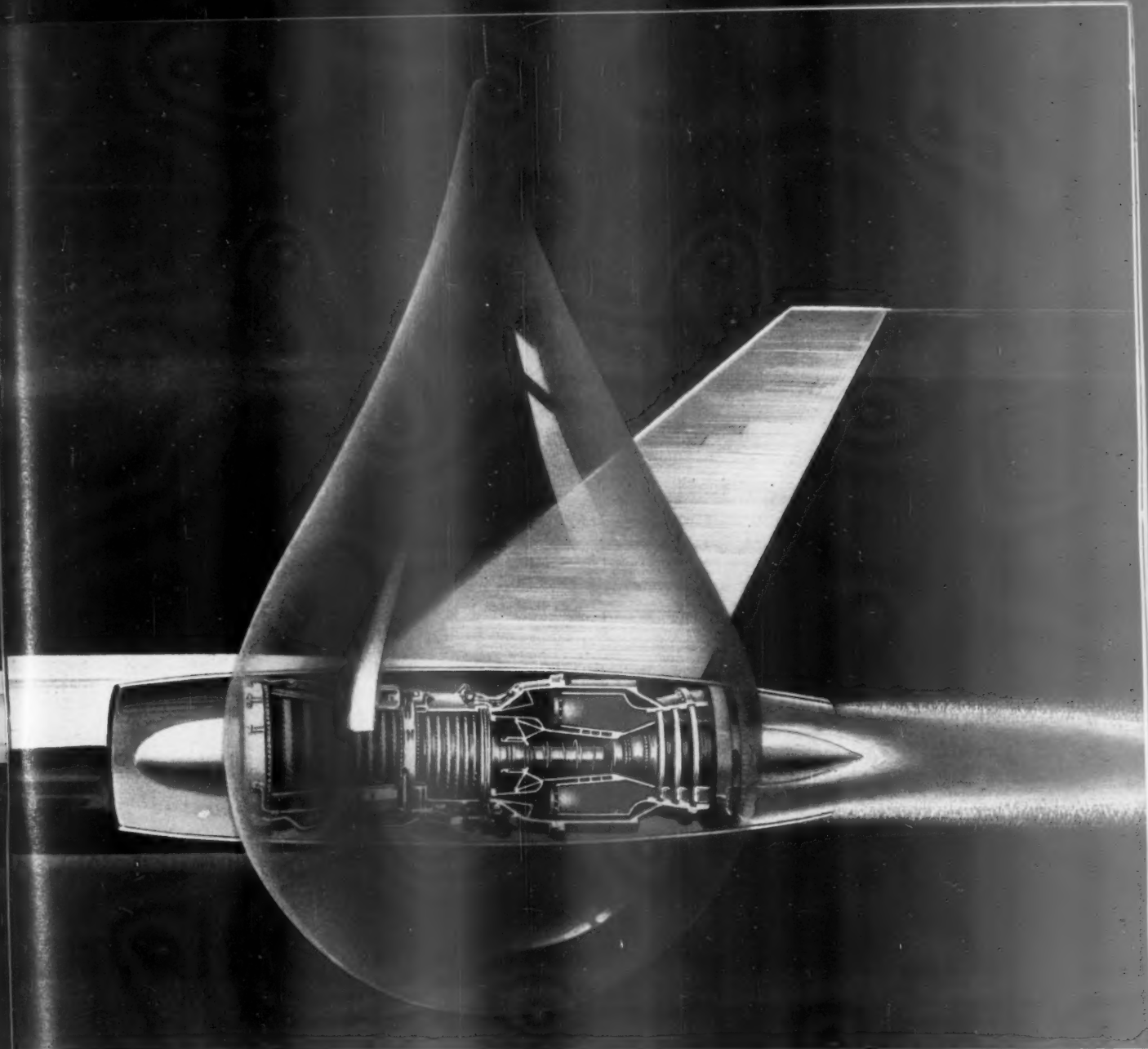
Member F.D.I.C.



Lube "breakthrough" by *Celanese*

New Celanese synthetic lubricants have hurdled the heat barrier set up by high bulk oil temperatures in jet engines. These lubricants withstand 425°F . . . more than 100° higher than any previously available. Highly significant, too, is the fact that they efficiently meet viscosity requirements at temperatures down to -65°F. Their potential has barely been tapped. For instance, they may become of utmost importance in such broad fields as heat transfer, automotive, and steel and aluminum forming. Continuing research and progress by Celanese in high-temperature lubricants has broadened and sharpened our national defense capabilities and has enabled great improvement in industrial machinery design. If you have a high-temperature lube problem, why not ask us to help? Simply write to
Celanese Corporation of America, Chemical Division, Dept. 568-F, 180 Madison Avenue, New York 16, New York.

Celanese®



opens the way for new superspeed jets



Canadian Affiliate: Canadian Chemical Company Limited, Montreal, Toronto, Vancouver
Export Sales: Amcel Co., Inc., and Pan Amcel Co., Inc., 180 Madison Ave., New York 16, N. Y.

CONTROL



Walter L. Jacobs (seated), President and General Manager, and Donald A. Petrie, Vice President for Administration, of The Hertz Corporation.

"Moore forms help us get Rent A Car reports days sooner"

A NEW SYSTEM GIVES HERTZ BETTER CONTROL OF ITS 14,000-CAR FLEET

By automating its paperwork, Hertz has simplified the handling of 1,500,000 auto rentals a year. Now management gets the facts it needs to make decisions days sooner each month. Rental statistics from hundreds of stations all over the country are complete and detailed. The company can have enough cars at the right places to meet seasonal changes in demand.

The system is built around machines that take information from punched cards, digest it, and print it on specially designed forms. The only hand operation is preparing the cards, which represent daily rental details. From there on, everything is automatic, including the printing of the fin-

ished reports. The forms used, from the rental agreement to the final summary, are made by Moore. They are the company's control in print.

"The Moore man's help in designing our forms has meant a great deal to us," says Vice President Donald Petrie. Moore's experience with Automated Data Processing systems (ADP) of every kind is at your disposal, too. Write the nearest Moore office for more information. No obligation.

MOORE BUSINESS FORMS, INC., Niagara Falls, N. Y.; Denton, Texas; Emeryville, Calif. Over 300 offices and factories throughout the U.S., Canada, Mexico, Cuba, Caribbean and Central America.



Build control with

MOORE BUSINESS FORMS

BUSINESS OUTLOOK

BUSINESS WEEK

JUNE 6, 1959



You'll be hearing more complaints about tight money.

Washington is getting more vigorous about heading off an inflationary boom. The new discount rate of $3\frac{1}{2}\%$ is the highest since 1930, except for a three-month period in 1957. With unemployment dropping, the Federal Reserve feels freer to apply the brakes.

As money demand mounts in coming months, borrowing costs will keep climbing.

The Treasury has been the first borrower to suffer—since Uncle Sam's money needs are the most pressing right now. Its hands are tied by the legal limit of $4\frac{1}{4}\%$ on what it can pay for long-term money.

State and local governments are beginning to have trouble borrowing.

And it's only a matter of time before the housing industry feels pinched for mortgage money.

Business borrowers have done pretty well so far, but you can see trouble ahead for many firms.

Right now, most corporations have plenty of cash flowing in—from fatter profit margins and bigger depreciation allowances. They're in a position to lend rather than borrow.

It's new companies with expansion needs and smaller cash flow that will be hurt by climbing money rates.



Actually, business demand for money is only beginning to pick up. Recovery or no, a lot of businessmen still haven't abandoned their recession-bred caution.

Inventory accumulation is still at an early stage. The statistics are swollen by a temporary bulge in steel buying as a strike hedge and by what everyone hopes is a temporary pileup of cars on dealers' floors. But stocks of most other items are relatively low.

As business volume increases, firms will have to build stocks just to fill orders. And that will send them running to the banks for money.

Capital spending, too, will soon be adding further needs for borrowed money. Plant and equipment expenditures are starting a strong upswing that will place increasing strain on the credit supply.



So far this year the consumer has been the Treasury's real rival in borrowing money.

Householders have been taking on mortgages and instalment contracts at a near record clip. By yearend they'll have added some \$16-billion to their net debt. That's a bigger deficit than the federal government's.

This customer willingness to borrow has been a big factor in business recovery. But—along with Treasury financing—it has helped produce expensive credit conditions much earlier in the business upswing than it has showed up in previous cycles.



April figures on consumer credit are further evidence of a healthy appetite for durable goods.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

JUNE 6, 1959

Instalment debt rose \$510-million that month to an all-time high of \$34.5-billion. Reviving auto sales accounted for most of that; car loans increased at a seasonally adjusted rate of \$220-million.

But loans for other durable goods and personal loans continue to grow rapidly. Over the past year, borrowing for these purposes has been the main reason for the steady climb of instalment credit to a new high.

Total auto credit is still about \$800-million shy of the \$15.5-billion peak reached in the fall of 1957—even though it's been shooting upward since the turn of the year.

—●—

New car sales will have to pick up even faster if Detroit is to avoid inventory troubles among dealers this summer.

The manufacturers turned out about 547,000 cars in May. That's a very respectable total for the month; Detroit has topped it in only three previous years. And output schedules for early summer show scarcely any slowdown from this high rate. Schedules for June and July call for assembly of more than a million cars in the two months. The current model run will be completed in August with another quarter-million cars scheduled.

Detroit's high output is partly based on the notion that plenty of cars in dealers' lots provide insurance against a steel strike. But with about 900,000 cars already on hand, dealers will be under the gun long before the traditional clean-up season.

—●—

Construction continues to top year-ago figures by a wide margin month after month.

Housing and highways have been the chief factors. But from now on construction will be getting an additional boost from a different source. Contracts for heavy construction compiled by Engineering News-Record, a McGraw-Hill publication, show a sharp jump in industrial building awards in May. For the year to date, plant awards are running a solid 39% above last year.

Bid awards also foreshadow higher activity in other types of private building. Contracts for commercial building are up 6%, while mass housing awards top the year-ago figures by 16%.

—●—

The oil industry is one that may be caught with its inventories down in case of a steel strike.

Drilling activity has picked up sharply since February. Latest reports show 2,300 rigs in operation compared to 1,900 a year ago.

Some analysts figure that, in case of a steel strike, oil country suppliers will run short within a month or so if drilling activity continues high.

—●—

Aluminum production this year has been a good deal higher than expected—high enough to cause speculation about a possible price increase on July 1.

Output in April topped 155,000 tons, a rate of production equal to about 80% of capacity. But two producers have since raised their operating rates.

Despite the current improvement, however, producers may have trouble making a price hike stick. It's no secret that discounts are freely available from the present 24.7¢ price for primary pig.

*If you can drive this one and not want it,
you're a born pedestrian*

What would you want with more car than this — even if you could find it? Chevy's rare combination of ride, roominess and responsiveness is hard to come by even in the most extravagant cars. For that matter, so is its beauty. And with these things, Chevrolet brings you its own unique brand of economy, durability and reliability.

Your Chevrolet dealer will be happy to show you these special Chevrolet advantages:

Slimline design—style that's fresh, fine and fashionable.

Roomier Body by Fisher—new in everything but its famous soundness.

Magic-Mirror finish—shines without waxing for up to three years.

Sweeping windshield—and bigger windows—all of Safety Plate Glass.

New, bigger brakes with better cooling for safer stopping.

Hi-Thrift 6—up to 10% more miles per gallon and finer performance.

Chevrolet Division of General Motors, Detroit 2, Mich.



*The car that's
wanted for all its worth!*

Nomad 4-door 6-passenger station wagon—as beautiful as it is dutiful.



A skin-pack feat in **Kodapak Sheet**

"Kodapak" is a trademark for Eastman's plastic sheet



Display made in U. S. A. for Sampo, Inc., Barneveld, N. Y.

FISH LURES a la carte—another example of Kodapak versatility. Here, a brilliant skin-pack display does a complete selling job . . . shows . . . sells . . . protects.

Crystal-clear 5-mil Kodapak Sheet, tightly drawn over 12 individually mounted lures, protects hooks and polished spoons from dust, dirt and corrosion.

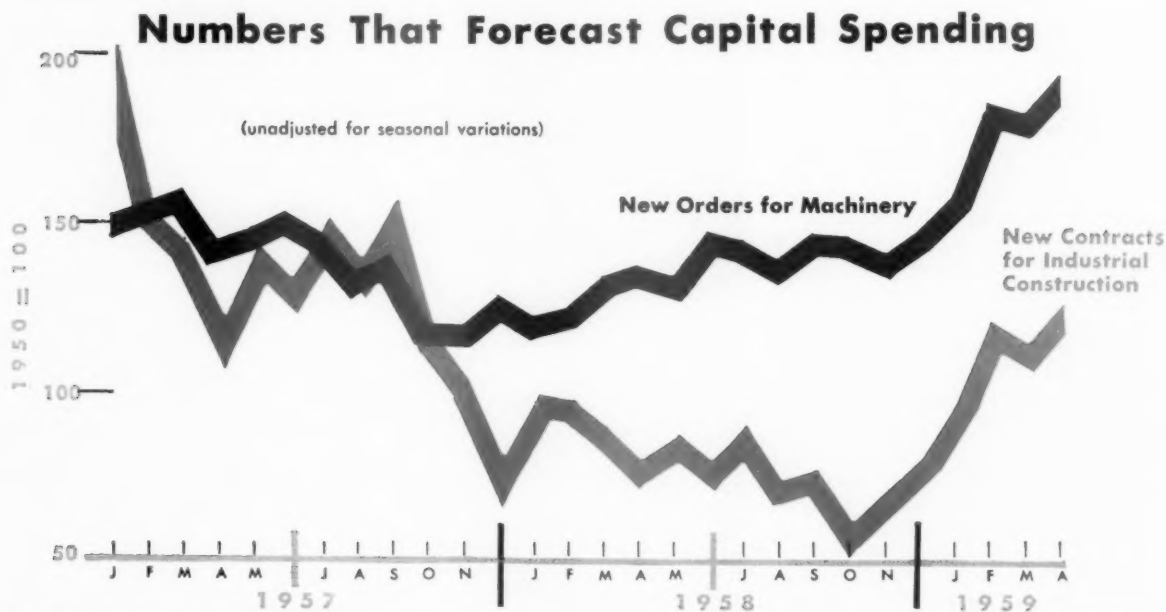
Customers pick, then tear off the lures of their choice without disturbing the display.

Merchandisers say, "A really sharp idea."

Kodapak Sheet is available in a variety of types and thicknesses. Uniform, chemically and dimensionally stable, it is economical to process. To see how Kodapak "makes good products sell better," just call our representative or write:

Cellulose Products Division, EASTMAN KODAK COMPANY, Rochester 4, N. Y.

Sales Offices: New York, Chicago, Atlanta. Sales Representatives: Cleveland, Philadelphia, Providence. Distributors: San Francisco, Los Angeles, Portland, Seattle (Wilson & Geo. Meyer & Co.); Toronto, Montreal (Paper Sales, Ltd.)



Pointing to a 1960 Boom

Steep climb in new orders for machinery and new contracts for industrial construction means capital spending is reviving faster than expected. Momentum will almost surely carry plant and equipment outlays to boom levels in 1960.

Two sharply climbing lines at the right-hand edge of the chart above tell an exciting story. It's this: The capital spending revival is hitting an even faster pace than expected, and 1960 will be not merely a good, but almost certainly a boom year in business spending for plant and equipment.

Of course, the fact that a capital spending revival is on—and even that its pace has been increasing—is no longer news; but the momentum the revival has acquired, and the capital spending levels this forecasts, have not shown up so clearly until now.

• **Gathering Speed**—As far back as March, the Securities & Exchange Commission and Dept. of Commerce survey reported that the capital spending curve had touched bottom in the last quarter of 1958, that it turned up slightly in the first quarter of 1959, and that business as a whole would increase its capital outlays 4% in 1959 (BW—

Mar.21'59,p25). Only a month later, in April, the McGraw-Hill survey found a more expansive mood; it reported that business was planning a 7% rise in capital outlays in 1959 with advance plans for 1960 already a trifle higher than this year's level (BW—Apr.18'59,p25). And rising cash flow from depreciation and profits have appeared to guarantee that these plans would be carried out, if not exceeded (BW—May.16'59,p47).

Now, the numbers in the chart above point even further. The two indexes charted—one for new orders for machinery, and the other for new contracts for industrial construction, both computed by the McGraw-Hill Dept. of Economics—are bellwethers of change in the actual capital spending done by U.S. business. And both have now begun to shoot upward.

• **Machinery and Equipment**—The meaning of the upturn in the index of new orders for machinery is clear

from its performance in the last couple of years. This index, based on confidential data obtained by surveying a broad cross-section of machinery producers, reached its last peak in the first quarter of 1956. That was a full year before actual expenditures for equipment hit their peak.

On the downside, the index of new orders for machinery touched bottom in the fourth quarter of 1957—a bit less than a year before equipment expenditures halted their slump and began to revive.

Since the end of last year, new orders for machinery have begun to take off again like a rocket; on a similar time schedule, this signals a steeper climb in spending on new equipment in the latter part of this year and on into 1960.

• **New Peak**—That the climb will be steep is assured by one fact: The index of new orders for machinery has already broken all past records. In April, it reached the 193 mark (1950 is 100). At that level, it had surged more than 25% above its earlier peak in the same month of 1956, when the investment boom was roaring.

The April performance was no one-month fluke, either. Taken together,

new machinery orders in the first four months top 1956's and 1957's records by 15% and are running almost 40% above 1958's first four months.

Not all of this, of course, represents greater volume; prices of machinery have risen steeply since 1956—by 15% or more. And the fast rate at which new orders are flowing out may not be sustained. In fact, the evidence is strong that there's usually an early bunching in the way new orders shoot up in advance of a capital spending boom.

Nevertheless, the increase in volume is there, too; and the upswing in orders still seems short of its crest.

• **New Plant**—The index of new construction, based on data gathered by Engineering News-Record (a McGraw-Hill publication), lagged far behind the early upturn in the machinery index. But now, it, too, is coming to life.

Since October, 1958, when this index touched bottom at 61 (1950 is 100), it has more than doubled, hitting 127 this April. That is still far below its heights during the 1956 investment boom. It reached 309 in April that year, averaged 228 for the year. In 1957 its average was down to 137, in 1958 to 82.

• **Going Higher**—But the rise that has carried the index back to 127 is going a lot farther. You find the evidence for this in another Engineering News-Record leading-indicator series. This indicator, which moves six to nine months ahead of the new-contracts index, covers "proposed projects"—industrial projects that are in their initial planning stages, haven't yet been translated into firm construction contracts.

That proposed-project indicator is swinging up strongly now. This swing will be followed by a further recovery in industrial contract-letting, and eventually by a strong rise in actual spending for new construction. If things move according to the usual time lags, that surge in spending on new plants should come in 1960.

In the first quarter of this year, most key industries had already stepped up their contracts for new plants. Major exceptions were metal refining and rolling, and railroads. Biggest jumps were, in dollar terms, in the process and public utility industries; and in percentage terms, in the machinery and electronics industries, which have more than tripled their volume of contract awards.

• **Modernizing**—Even with this revival of industrial contract-letting, however, it's clear that U.S. business is still in the midst of a big switch toward emphasizing replacement and modernization rather than expansion. That's why the index of new orders for machinery is soaring to new heights, while the industrial contracts index, though rising, still lags far below its boom-time levels.

Adversaries in Steel



Fight It Out in Advertisements

Industry and union have now spent more than \$2-million to carry their cases to the public. Does it pay? They aren't quite sure yet.

Millions of newspaper readers saw—and many read—an open letter to David J. McDonald, president of the United Steelworkers, published as an advertisement in more than 400 daily and weekly newspapers last week. In it, the Steel Companies Coordinating Committee demanded that the union head “stop trying to mislead the public.”

The ad was written in indignation by a committee adviser who had read, on a commuter train, one of a series of ads that the union published at one-week intervals in a select list of 40 papers. Its wording was changed in conferences, but its charge wasn't:

“Ever since negotiations began, you have been trying to mislead the public about the real issues in the wage negotiations you are carrying on with us. Your weekly advertising distorts facts and tries to sidestep the job we have to do.”

• **Costly Persuasion**—The open letter, published at an estimated cost of \$250,000, was one shot in rival campaigns of industry and union to influence public thinking on the issues of the 1959 steel bargaining. Through May, the combined costs to industry and the union mounted to between \$2-million and \$24-million. The drain on ad budgets will be much greater before a settlement is reached in negotiations that are now at a low point (page 78).

Paid ads have been used by employers and unions for years, to present controversial news exactly as an employer or union leader wanted them put before the public. Ads were used in the steel bargaining in 1956 and in the auto negotiations last year. They have appeared, locally, in connection with the Henderson (N. C.) textile strike and other disputes.

However, it's doubtful that any past campaign over a labor controversy has been worked out so far in advance and so carefully as in the case of steel this year. Certainly, none has been carried out so extensively and expensively.

• **Advertising Aims**—Both industry and union public relations experts say there is much to be gained from advertising. But they find it hard to be specific. This is a problem, one industry man said glumly, every time more money is sought for advertising.

Neither industry nor union expects

its ads directly to influence the outcome of the bargaining that's going on in the privacy of a hotel suite in midtown New York. Both talk, rather vaguely, of hope that the ads will increase “public awareness” of the basic issues raised at the negotiating table.

Each, obviously, hopes that this “awareness” will bring it public sympathy and support. The industry hopes to muster backing for its determination to “hold the line in '59” against higher labor costs. The union wants public opinion on the side of its fight for a wage boost—“an extra billion to spend,” as the USW ad says.

• **Does It Pay?**—Some in the ranks of industry and union leadership privately admit misgivings about the effectiveness of the campaigns. Generally, though, industry sources feel that ads are “paying off” in a spreading “consciousness of the threat of inflation.” And most USW policymakers are convinced that the “extra billion” argument has had “impact” on the public.

Because it is concerned with an intangible, the ultimate effectiveness of the ad campaigns will be hard to assess. If there is any test at all, it might be in the way the public reacts if there is a long steel strike—which side it blames.

I. The Industry's Ads

Late last summer, public relations and industrial relations committees of the American Iron & Steel Institute met in New York to discuss plans for 1959 contract negotiations.

The industrial relations people said their negotiators would deny the Steelworkers’ “inflationary” demands this May. The public relations committee was left with the assignment of popularizing the “no” with the public.

As one who attended the meeting put it this week, “They asked us, in effect, to establish a climate in which they could say a flat ‘no’ to the union and stick to the word without its sounding like an arbitrary, pot-bellied, top-hatted approach to bargaining.”

• **From Small Start**—The public relations group met alone after that, working with Hill & Knowlton, Inc., public relations counsel to the Institute. A campaign was outlined as a series of small ads to run at two-week intervals starting in January and concluding before the contract negotiations in May. At that point, everyone agreed, a second and separate campaign should get under way, sponsored by the Steel Companies Coordinating Committee—the negotiating group—instead of the Institute.

Then the USW broke its first large ad in early January. At that point, the industry group decided that it should display its views more prominently: It took bigger ads—but fewer of them, nine in all.

The committee, working with Hill & Knowlton, decided to place the ads in some 430 newspapers.

The number of papers would have been considerably less except for one consideration: The American Iron & Steel Institute represents—and is supported by—about 90 companies in its industry; it felt it had to place ads in the plant cities of every affiliate.

• **Copy Pitch**—This created copy-writing problems. The “publics” to be aimed at differed greatly; some were urban and others rural, some very much union-minded and others not, some prosperous now and others in varying degrees of hardship. The result is “by no means ideal,” as the committee now analyzes its ads, but it says the ads are “the best we could do under the circumstances.”

The nine ads hammered at five main themes: the improved status of steelworkers over the years, the importance of productivity through machines as well as men, the industry's need for profits to finance expansion and modernization, the danger of pricing steel out of competition with foreign steel and with other materials, and the inflationary dangers of wage increases that are out of line with the workers' contribution to productivity.

The committee found the productivity and profits ads “the very devil” to write in 200 words of text—a hard concept to get across in so few words. Judging by the number of comments, the “star” of the series proved, to the committee's surprise, to be the one on foreign competition.

The first phase of the industry campaign, devoted to what its committee calls “strategic” ads, wound up with a total cost of about \$1.1-million, paid by Institute funds raised on a pro rata basis in the industry.

• **Tactical Series**—The ads in the second or bargaining phase of the campaign are described as “tactical”—not concerned with broad issues but dealing with specific negotiating situations. These ads are the product of a group of public relations experts assigned by 12 major steel companies to their Steel Companies Coordinating Committee offices—set up for the duration of negotiations in a New York office building, just blocks away from the bargaining. Hill & Knowlton is public relations counsel for the SCCC, too, and Batten,

Barton, Durstine & Osborn, Inc., is assisting in the campaign.

The SCCC ads began May 5 with a "You Are Involved" negotiating ad addressed to the public. The open letter to McDonald was the second placed. Cost to date is estimated reliably at "under \$600,000," although the USW recently criticized the SCCC for spending about that much for the second ad alone.

Further ads will be placed "as necessary" during the continuing negotiations. They can appear, nationally, 48 hours after a decision is made.

- **Question of Aims**—Although the industry stresses that its ads are aimed at the public, two questions arise:

- Does the industry hope to persuade its steelworkers not to strike for the objectives of the union? Definitely not, everybody connected with the industry campaign insists. Any wording that might be construed as a suggestion that individual workers break with USW leadership—which the industry expects to have to live with for a long time—is "immediately and irately edited out of copy," one ad writer said.

- Does the industry hope to influence Washington thinking—and possibly action—through its ads? "We never gave that a thought," one member of the industry committee said.

The Steelworkers' last convention in Atlantic City in September, 1958, ap-

proved a campaign to place the union's bargaining position before the public through "education" advertising. Afterward, USW staff members and a representative of Robert Wiltman Associates, a Pittsburgh agency, met to rough out plans.

II. The USW's Campaign

The campaign materialized in early January in 40 "selected" newspapers, mostly metropolitan dailies that reach readers in steel-producing centers. Since the first of the year, ads have appeared once a week, preferably on Mondays, each addressed to a particular economic group in the community—owners of beauty parlors and barber shops, for instance. The theme is the same: What would "an extra billion" of spending power mean to the specific small business?

So far, they've cost "roughly \$70,000" every month, close to \$400,000 to date. Counting the ads still to run and "extras" connected with negotiations, the total cost by the end of this month may reach \$500,000.

USW is also spending additional funds for television "spots" now devoted largely to bargaining issues and for its Phil Regan radio show, which has a two-minute "pitch" on negotiations. For the most part, the costs of the TV and radio shows are borne by locals.

Merger to Form New No. 4 Bank

Directors agree on terms to combine Chemical Corn Exchange Bank and New York Trust Co. Stockholders and regulatory agencies are expected to approve the deal.

When J. P. Morgan & Co., Inc., and the Guaranty Trust Co. rocked the financial world last December with their decision to merge (BW-Dec.20'58,p23) it was freely predicted their move would set off a wave of competitive realignments among New York's giant money market banks.

This week, directors of the Chemical Corn Exchange Bank and the New York Trust Co. took the first step in redressing the balance of power. They announced agreement on merger terms for the two banks—1.75 shares of Chemical for every share of New York Trust.

- **New Ranking**—If the deal is consummated, the new Chemical Bank New York Trust Co. will rank fourth in the nation, behind Bank of America, First National City Bank, and Chase Manhattan Bank, thus recapturing for Chemical the position it lost when Morgan and Guaranty merged. On the basis of March 31st figures, the new bank will have total assets of \$4.3-

billion and capital funds of about \$385-million. But Morgan-Guaranty, with \$512-million in capital funds, will stay ahead in its ability to make big business loans. New York banks are allowed to lend up to 10% of capital funds to any one borrower.

Harold H. Helm, chairman of the Chemical, will continue as chairman and chief executive officer of the merged institution, while Adrian M. Massie, New York Trust's chairman, will oversee the new bank's trust business.

- **Pressure for Merger**—This isn't the first merger that's been proposed since Morgan and Guaranty acted. Earlier this year Bankers Trust Co. and Manufacturers Trust Co. indicated that they were studying the possibility of a merger, but the deal fell through because of inability to agree on terms. Even then, it was taken for granted that New York Trust would soon get into the merger act. There has been pressure from a substantial minority of

New York Trust stockholders to merge the bank into a larger institution (BW-Dec.20'58,p71) ever since New York Trust barely missed getting to the altar with Manufacturers Trust in 1952. Most New York banks have been eying New York Trust, but fear of antitrust action is known to have held some of them back. As one bank stock analyst put it, "There were a lot of broken hearts on Wall Street the day this merger was announced."

- **Good Deal**—The main difficulty that prevented New York Trust's marriage with Manufacturers—stockholder dissatisfaction with the price offered for their shares—isn't expected to be a factor this time.

Investment officers at Hartford insurance companies, which hold a large proportion of New York Trust's 1.2-million shares outstanding, say the terms of the merger are "more than generous." "We will vote for the merger," says Barnard Flaxman, vice-president of the Hartford Fire Insurance Co.

- **Official Verdict**—As is always the case when two big business organizations get together, the big unknown is the attitude of regulatory authorities. In this case, approval must be obtained from the New York State Superintendent of Banks, G. Russell Clark, and from the Federal Reserve Board.

Clark, at least, is expected to approve. This expectation is based on the new, more liberal line on bank mergers he laid down in approving the Morgan-Guaranty merger. What the Fed will do is more difficult to fathom. At midweek, it would not comment.

Congressional leaders, however, were quick to react. Rep. Emanuel Celler (D-N.Y.), chairman of the House Judiciary Committee, said the merger was part of a "dangerous" trend, adding that "I will ask the Justice Dept. to look at these two banks."

- **Fitting Together**—Chemical and New York Trust complement each other nicely. Chemical—formed in 1954 by the merger of the Chemical Bank & Trust and the Corn Exchange Bank Trust Co.—has concentrated heavily in recent years on retail banking; it currently has 94 branches. New York Trust, on the other hand, with only seven branches, is chiefly a wholesale bank, catering to big business. Moreover, it has substantial trust business, while Chemical is not rated among the majors in terms of the total value of the assets in its trust accounts.

New York bankers say that the Chemical-New York Trust merger will not be the last. No one is ready to predict just which banks will jump next. Prominently mentioned, however, are the Bankers, which reportedly initiated the discussions with Manufacturers, and the Hanover Bank, which is one of the few remaining wholesale banks.

Looming Fight on Interest Rates

● Battle likely to be joined in Congress, centered on the 4¼% ceiling on long-term government bonds.

● Democrats savor prospect of belaboring GOP over tight money and high interest rates.

● GOP chiefs are happy, too, feeling the issue will force their rivals to back down, fearing inflation label.

A slambang clash over high interest rates is shaping up in Congress, with the 4¼% ceiling on long-term government bonds the central issue.

The fight will be touched off if the Treasury Dept. asks Congress to raise the ceiling or eliminate it.

At an off-the-record meeting in the White House early this week, the Administration told leaders of both parties that a rise in the interest ceiling was urgently needed. The Administration seems likely to make the request soon.

Democrats are jubilant at the prospect. It will give them a chance to rate the Administration with charges about tight money and the burdens of high interest costs. They are convinced the issue will work in their favor, in next year's election, among small businessmen, farmers, and consumers.

• **Ready and Eager**—But in a surprise development, the Republican minority in Congress also is eager for a showdown fight on the interest ceiling.

Key GOP spokesmen are hoping the Administration will push the issue energetically. They believe such a move will force Democrats to stand up and be counted and that the higher ceiling will eventually be approved, with substantial Democratic support. This, they argue, will largely take the issue out of next year's campaigns. These views have been expressed to Treasury officials who have been sounding out Congressional opinion.

The Treasury's problem is to get approval for an interest rate high enough to compete in today's long-term money market, where 5% is the going rate for high-grade corporate bonds. Government issues also have been selling at prices that yield more than the 4¼% ceiling.

• **Old Law**—The ceiling affects U.S. bonds of more than five years' maturity. It was adopted by Congress in World War I and never has been changed.

Before World War I, when Treasury issues were rare, Congress used to specify maturities and interest rates for every issue. It adopted the idea of a ceiling in order to keep some kind of general control, but leaving the Treasury room to operate within the limit.

The Treasury doesn't have this freedom now. If left where it is, the ceiling will force the Treasury to issue more and more short-term securities, thus increasing the inflationary potential of the public debt.

• **The Arguments**—Here's what GOP strategists in Congress are telling Treasury officials.

• The Administration and the party will be subjected to a barrage of Democratic criticism about rising interest costs even if no request is made to raise the ceiling. These attacks will not be increased by making the request.

• By voting for an increase in the permissible interest rates on VA home mortgages, Congress has already given an indication of what may happen if the ceiling issue is sharply drawn. When the boost was first proposed by Pres. Eisenhower in January, few thought Congress with its heavy Democratic majorities would permit an increase in the VA rate from 4¼% to 5¼%. Yet both houses did approve it, the Senate by a two to one margin. In effect, as Majority Leader Lyndon B. Johnson tartly reminded his Democratic colleagues in a debate last week, this was a vote for higher interest rates. Rather than see the VA program dry up for lack of money, Democrats found it easy to turn their backs on the party's traditional low-interest philosophy.

• Key Republicans believe the result will be the same if the Democrats are forced to choose between a higher ceiling on bonds and a round of inflationary, short-term financing by the Treasury.

"It's like the fuss over raising the debt ceiling," one GOP member of the Senate Finance Committee puts it. "The Democrats will make the usual speeches, level the usual charges, but my guess is a majority of them will wind up voting with the Administration. They are afraid of that inflation tag."

• **Only Four**—Another key Republican believes the hard core of easy-money, low-interest Democratic strength in the Senate is limited to four men—Robert S. Kerr (Okla.), Russell B. Long (La.), Albert Gore (Tenn.), and William Proxmire (Wis.).

"Beyond this group, the Democratic lines will begin to break up," he says. He noted that Sen. Paul H. Douglas (D-Ill.), who often makes speeches that put him alongside the tight-money critics, voted for the rise in VA rates. Last week in a colloquy with Gore, Douglas said he favored competitive interest rates.

In the House, Rep. Wright Patman (D-Tex.) can be counted on to oppose any move toward higher interest, but the House often votes against him on this issue.

• **"No Real Choice"**—Influential Republicans on the House Ways & Means Committee, where the rise in the ceiling would first be considered, believe the committee and eventually Congress would approve the step "because there's no real choice."

One GOP lawmaker high in the party's councils believes the major problem is a desire on the part of Congress to retain general control over interest rates. He suggests a solution might be to vote a higher ceiling for a limited time, thus forcing future administrations to seek renewals as long as interest costs stay at present levels.

Democrats on the Ways & Means Committee agree an Administration request would get a hot reception. One predicts flatly that the committee would turn down the idea. But most Democrats stop short of predicting the outcome; they know what the speeches will sound like, but aren't sure what party members would do if it came to a nosecount.

• **A Pet Issue**—Republicans have been jabbing Democrats on the issue of interest rates with increasing frequency recently. Last week, for example, Sen. Prescott Bush (R-Conn.), a stalwart defender of Administration policies, challenged Gore to introduce legislation forcing down interest rates.

"Democrats know they could never put across a bill that would restore the old cheap-money policies of the Truman Administration," a GOP strategist says. "Most Democrats in this Congress are as conservative as Republicans. I hope the Administration takes up the ceiling fight, so we can either prove this or force the Democrats to vote for inflation. Either way, our chances in the 1960 election will improve."

• **Market Ho-Hum**—The capital markets in Wall Street have taken Washington action for granted. Trading this week remained desultory.

"They can set the interest rate ceiling at any level they like," said a bond dealer. "What really matters is how many long-terms the Treasury might try to sell to lengthen the debt."

Congress' first move on defense

**boosted
these
projects**



**Navy's Anti-Submarine
Warfare Operations**



**Army's NIKE ZEUS
Anti-Missile Missile**



Air Force's ATLAS ICBM



**Air Force's
MINUTEMAN ICBM**



**Navy's Super
Aircraft Carrier**



**Air Force's BOMARC
Anti-Aircraft Missile**



**Air Force's MACE
Tactical Missile**



**Air Force's Radar
Modernization**

**and cut
these
projects**

Policy Debate Shifts Spending

The Eisenhower Administration's defense program has been under a critical barrage from the Democratic-controlled Congress. In essence, the argument has been over the general issue of how to balance U.S. forces to fight both general and limited wars.

From this central question have sprung important side issues: disputes over the makeup of U.S. retaliatory striking forces, continental air defense policy, service roles and missions, costly competition between rival weapon projects.

• **Traditionally Up**—Always the loudest furor has been over what Congressional

critics saw as the "inadequacy" of the Administration's program. Their reaction has been a push—usually successful—to increase the defense budget.

Last year, for instance, Congress tacked on almost \$1-billion to the Administration's appropriation request—the bulk of it to buy more weapons. Ever since January, Washington has been expecting the same sort of thing to happen this year.

• **This Time Down**—But the defense controversy is now taking a new twist. At midweek the House of Representatives was debating a military appropriation bill that cuts almost \$400-million

from the Administration's budget. And the House seemed unlikely to make any important changes in the bill recommended by its Appropriations Committee.

This fact has two major implications—that the massive boosts in defense spending demanded by critics such as Democratic Sens. Symington and Jackson are not needed, and that the House has accepted the Administration's fundamental argument that the U.S. defense posture is healthy. The basic strategy stressing preparedness for a general war has won endorsement from those congressmen whose overriding job

is to sit in judgment on military spending.

Still, the congressmen disagree with specific Pentagon policies and points of emphasis. The disagreement is represented by the broad-gauged reshuffling of major weapon projects—canceling spending for some, reducing the scope of others, and speeding work on still others (table, left).

I. Where Congress Juggled

The Army-Navy argument that the U.S. is maintaining an "over-kill" capacity in the Strategic Air Command (BW—May16'59,p25) has been rejected. The House approved Air Force plans to buy 70 more B-52 heavy bombers, 40 more B-58 supersonic medium-range bombers, and 96 KC-135 jet tankers, and to continue development of a new long-range supersonic bomber, the B-70.

Indeed, the lawmakers went even further than the Administration planned to expand U.S. nuclear striking forces. They're worried about an anticipated U.S. lag in ballistic missile production and the threat that this country's retaliatory forces could be knocked out in one massive enemy blow.

So the House committee voted \$85-million extra to the Air Force for a downpayment on expansion of its Atlas ICBM force—from 9 squadrons now planned to 17. It also voted an additional \$87-million to speed up research and development work on the later-generation ICBM, the solid-fueled Minuteman.

- **Airborne Alert**—The committee urged that the Pentagon consider placing some of the Strategic Air Command's bomber squadrons on a continuous airborne alert—a move the Administration has been reluctant to make up to now, on both tactical and economic grounds. In effect, the committee wants to give a blank check to the military to cover the extra costs of such a measure.

These measures—plus the elimination of a new Navy super aircraft carrier and the Air Force's Mace tactical missile—also reflect Congressional disagreement with those strategists who believe a limited war is more likely because of the suicidal consequences to both sides in a general nuclear holocaust.

Nevertheless, the House did some tinkering favorable to the limited war side. The Army got extra funds for procurement of tactical weapons for ground troops—tanks, vehicles, small arms, and such. And offsetting the carrier cut, the Navy's anti-submarine warfare program was bolstered by an additional \$255.3-million.

- **Bomarc vs. Nike Hercules**—The House committee stepped into the noisy air defense furor (BW—May30'59,

p31). It reduced the Air Force's fund for production of the Bomarc anti-aircraft missile by one-third (leaving \$284.6-million still in the budget). The Army's much smaller procurement fund for the elder and rival Nike Hercules missile was approved without change. These measures do not necessarily mean the House favors one missile over the other. The action was taken mainly as a "further effort to focus attention upon the necessity of an early decision" on the controversy.

Extra funds were voted for the Army's controversial Nike Zeus anti-ICBM system—for advanced procurement of components such as radars and computers and for stepped-up development of the missile and its other ground support gear. But the House steered away from a clear-cut proposal to tool up for volume production of the Nike Zeus—an Army plea dismissed by the Defense Dept. so far.

II. Adding It Up

In all, the House committee slashed a total of \$1.2-billion worth of projects it considered marginal and bolstered others it considered more important by a total of roughly \$800-million.

The \$400-million net cut in the defense budget comes on the heels of House reductions in all other executive agency appropriation bills but one (Dept. of Health, Education & Welfare). This scuttles all notions that the 86th Congress would be a big spender.

The congressmen's ideas for revamping U.S. defense plans, however, go beyond tinkering with individual weapon projects. In effect, the committee told the Pentagon it can buy more defense by tightening up management of the over-all program—with fast decisions on big issues and more businesslike procurement practices.

- **Spending Still High**—Despite the House reductions, over-all defense spending will continue at the rate already plotted by the Administration. Fiscal 1960 expenditures will be slightly higher—maybe a couple of hundred million—than this year's \$41-billion sum. The biggest rises will still be in contracts for production, research, and development of hardware—these make up almost half the military budget.

The reason is that, for one thing, the Pentagon goes into the new fiscal year starting July 1 with an unspent balance of at least \$5-billion on its books. For another, the Senate will more than likely restore the over-all sums cut by the House. This would bring the final amounts voted by Congress for defense close to the Administration's initial budget proposal. But some of the House changes in specific weapon projects—either up or down—will stick.

Small Car Line-Up

Detroit's secret is out.
The Big Three each will produce not one but two models for the 1960 market.

A few weeks ago, the heads of General Motors, Ford, and Chrysler for the first time officially acknowledged that their companies would produce small cars for the 1960 market. What they carefully did not say was that they each will have two lines of small cars.

That's why, in its announcement last week of its new divisional sales setup, Chrysler Corp. made no mention of Dodge-Plymouth dealers. From that glaring gap was priced out the existence of Chrysler's second small car—the Dart, to be sold by Dodge dealers.

Big Three thinking about plans for a small car for their medium-priced dealers has been known in general for some time (BW—Jan.17'59,p29;Feb.28'59,p24). Now the line-up is clearer:

- **General Motors**: The 108-in.-wheelbase, rear-engine Corvair will be sold by Chevrolet dealers. Inasmuch as many Chevy dealers dual with Oldsmobile, this presumably means that some Olds dealers will also get a crack at the Corvair. For the others, as well as for Pontiac and Buick dealers, there will be a slightly larger front-engine car to be introduced next spring.

- **Ford**: The 109-in.-wheelbase Falcon will go to Ford dealers but, beginning probably in midsummer of 1960, the Edsel will appear as a 113-in.-wheelbase compact car to be sold by Mercury, Edsel, and Lincoln dealers. Detroit assumes it will sell at about the current Edsel price level.

- **Chrysler**: The 108-in.-wheelbase Valiant will be sold by De Soto-Plymouth and Chrysler-Imperial-Plymouth dealers. At the same time these cars are introduced this fall, Dodge will come out with the Dart, built on a Plymouth 118-in. wheelbase, but styled like the Dodge (BW—May30'59,p38). There will be three series of Darts, priced to compete with the regular lines of Ford and Chevrolet.

There are two reasons for building compact cars for medium-priced dealers. One is this: If there really is a large demand for smaller, more economical cars, something has to be done for the medium-priced dealers. Otherwise, the dealer mortality rate is going to be high because, in contrast to the smaller cars, Chevy, Ford, and Plymouth will be the "medium-priced" lines. The second reason is that Detroit figures the smaller cars would be showroom traffic-getters. Then the salesman would try to "upgrade" the prospects.



POSTERS put up by Asst. Mgr. Robert Peck (above) urge guests to charcoal their own steaks at hotel's barbeque on the patio.

Guests Don Chef Caps At Hotel's Cookouts

Traveling men who stop at the Hotel Sam Peck in Little Rock, Ark., have no trouble getting home cooking. That is, if they want to do their own.

Last summer, the hotel installed a portable charcoal grille on the patio surrounding its swimming pool. Here, only a few blocks from the state capitol and business district, a guest can pursue the national fad for cookouts, just as he does in the backyard at home.

He selects his own steak from an assortment provided by the hotel, and grills or burns it to his own taste. The hotel also sets up condiments for the meat and a wide variety of greenery and dressing ingredients for the "chef" who fancies he has a delicate touch with salads. Other trimmings—such as baked potatoes and other vegetables—

can be ordered from the hotel kitchen.

• **Evolution**—Robert A. Peck, assistant hotel manager, says the idea evolved quite naturally from another idea of his—Saturday night beer parties on the terrace. "The parties were a big success," he says, "but it seemed a shame that our guests couldn't cook out here, too. They do it at home so much."

Most of the do-it-yourself cooks are traveling salesmen who get tired of institutional fare. They're the ones who really go for the idea, says Peck.

Peck isn't sure just how much the novelty has helped the hotel's business. It is fairly popular in the spring and fall, when the Arkansas climate is most suitable to outdoor cooking. But Peck is sure of one thing: It has caused a lot of talk.





STEAK CART makes the rounds, and hungry guests pick thick cuts to match their appetites.

CHARCOAL grille takes over, while salesman-chef stands ready to apply meat condiments.



CULINARY feat on the table, salesman tastes "the first really good meal he's had in months."

OOPS! Advice from back-seat drivers results in a choice morsel going up in smoke (left).

Rayon Is Rayon

Its makers had hoped FTC would allow them to use a new family name for superior new types. FTC ruled otherwise.

Rayon is still rayon, in the new glossary of manmade textile fibers and blends issued this week by the Federal Trade Commission. And the makers of rayon are unhappy about it, for they have made big plans to invade the lively wash-and-wear market with a material they are carefully distinguishing from rayon.

However, FTC seems to have left a door ajar for manufacturers who feel their product merits a different name than the one that's dictated by chemical terminology.

• **Consumer Guide**—Last September, Congress passed the Textile Fiber Products Identification Act, effective next Mar. 3. Under this law, FTC has to adopt rules for the labeling and advertising of textile goods, similar to the rules already in effect for disclosing the content of wool and fur products.

The textile industry appears to have no quarrel with the purpose of the law, which is to help the consumer find his way through the proliferation of names given to the manmade textile fibers and blends. But the rayon people are hotly criticizing FTC's 45 specific rules, issued this week in 23 pages of fine print and technical prose.

• **Family Names**—For the rayon makers, the key issue is FTC's definition of the generic or family name that must be displayed, in advertising, at least as prominently as the company's trade name for the fiber.

They think they have new types of rayon that resist shrinkage and other flaws associated with ordinary rayon. And they had hoped not to have to identify the new material as rayon—for sales psychological reasons. But among the 16 generic names adopted by FTC, "rayon" is so broadly defined that it seems to include almost any fiber made from cellulose. And cellulose is the basic ingredient of the new fibers being developed by American Viscose Corp., American Enka Corp., Burlington Industries, Inc., and other companies.

• **Turned Down**—Rayon's cause suffered another blow when FTC specifically rejected a request by Courtaulds (Alabama), Inc., to establish a new generic name, Lincron, for the two new fibers it already has on the wash-and-wear clothing market.

FTC in effect said Courtaulds' new fibers are basically cellulose, thus must be called rayon. The agency elects to stress chemical structure rather than

behavior of the fiber as the criterion in defining the material.

• **All Isn't Lost**—Industry observers, however, see two remaining chances for the rayon producers to merchandise their new fiber as they would like:

• FTC's rules still allow a manufacturer to use a fiber trademark in advertising and labeling, as long as the

generic name is given equal display.

• FTC also leaves the way open to manufacturers to give reasons why their new fibers should not be identified by one of the established names. In its original draft, the rule would have required a manufacturer to show why his new fiber "cannot," instead of "should not," be so identified.

Navy's Huge Radio Telescope

Its mission is a mystery. All Navy officers will say is that it will be used 90% of the time for military purposes. It's the world's largest movable structure.

The military's newest and hottest piece of gear is a "radio telescope" that dwarfs anything else in the free world—and is about twice the size of anything the Russians are known to be building.

As a prober of the fantastic distances of space, the new telescope being built on a mountain ridge near Sugar Grove, W. Va., will be equally fantastic. The radio telescope will have a reach of 38-billion light years—which will put us 19 times as far out into space as we can reach with the world's largest optical telescope at Mt. Palomar, Calif.

But in practice, Defense Dept. officials admit the huge new scope will be used only occasionally for astronomical research. About 90% of the time, the huge radar-like machine will be used for more direct military purposes.

They won't say whether its main uses are for communications with satellites, for a radically new kind of space communication, or what military purposes it has. They admit the "Naval Radio Research Station" will be able to bounce signals off the moon and off manmade satellites for communication, navigational uses, and satellite tracking.

• **Monster Size**—One thing is certain: The huge new installation, a moving monster of concrete, open steel work, electric power, and electronics, is a key military weapon of utmost practical use in keeping us up with the Reds in the age of missiles and satellites.

The saucer-like affair is expected to look something like other radar dishes—but the estimated 600-ft. diameter of the dish makes it comparable in size to a football stadium. The designers—Grad, Urbahn & Seelye of New York—say the 20,000 tons of aluminum and steelwork in the dish itself make it the world's largest movable structure.

• **Navy Smoked Out**—The Navy has tried to keep the real purpose of its big radio telescope a secret. Its press releases last summer touted the mammoth facility as "one of the foremost scientific tools available, not only in studies of outer space, but also in advanced scientific research on charac-

teristics of the earth's atmosphere and geodetic and geomagnetic data on the earth itself."

The Navy's rush to advertise the scientific uses of its telescope backfired, however. It brought a Congressional investigation as to why the Navy wanted to spend \$79-million to build a scientific research implement that will be only 30 miles from a similar, but smaller, radio telescope the National Science Foundation is building at Green Bank, W. Va.

Under Congressional questioning, the Navy admitted that "the vast majority of the time, we estimate, will be devoted to military uses. . . ."

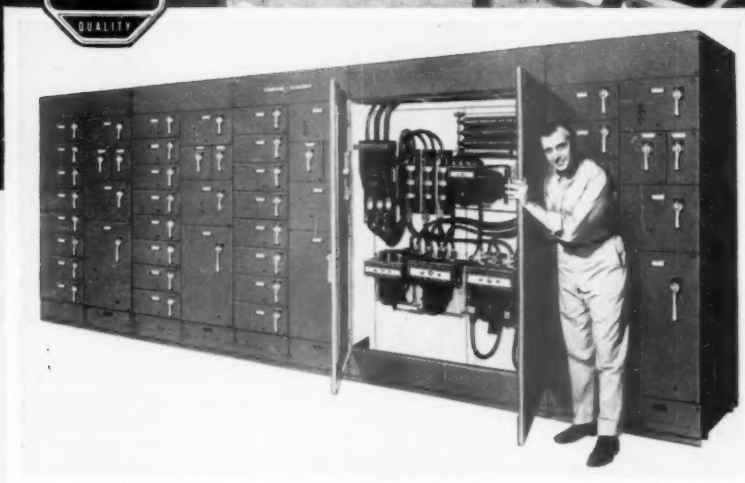
• **Select Site**—Back in 1953, the Navy started its nationwide search for the ideal location to build the giant telescope. It had two prime requisites: (1) freedom from manmade electrical interference and (2) freedom from extreme weather conditions. By 1956, the Navy had pretty much settled on the 1,500-acre site near Sugar Grove, which lies partially in the George Washington National Forest.

To insure that the telescope would stay relatively free from manmade electrical interference, the West Virginia legislature in 1956 passed a law that throws a 10-mile ring of protection around the Navy site. Within two miles of the site, all electrical interference is banned.

• **Contract Awards**—Last Sept. 19, the Navy named a three-firm team of Tidewater Construction Corp. of Norfolk, Va.; Peter Kiewit & Sons of Omaha, and Patterson-Emerson-Comstock, Inc., of Pittsburgh as prime contractor for the \$58-million construction job.

Clearing and grading of the site has recently been completed, and work has started on pouring concrete footings for the huge steel telescope.

U.S. Steel's American Bridge Div. holds a \$19,333,000 subcontract to build the 600-ft. dish and its supporting structure. First shipments of steel are expected to move to the construction site by late June. In all, some 25,000 tons of steel will go into the structure.



Above: Ultra-modern air-conditioning installation in Trane Company's new engineering building at La-Crosse, Wis. The A-B control center in the background provides an attractive, centralized location for operation of the motor starters for the 400-ton compressor and auxiliary equipment. Left: A typical A-B control center.

TRANE—specialist in air conditioning . . . uses ALLEN-BRADLEY Motor Control for its new engineering building

Manufacturers of electrically powered equipment are the first to realize how important reliable motor controls are to the performance of their installations. And to insure this desired reliability, more and more leading companies are turning to Allen-Bradley—the *quality* motor control.

The simple solenoid design—for which Allen-Bradley starters, contactors, and relays are famous—has only ONE moving part. With virtually *nothing* to go wrong, you are assured millions of trouble free operations. There are no bearings, pivots, or pins to corrode and stick . . . no flexible jumpers to wear and break.

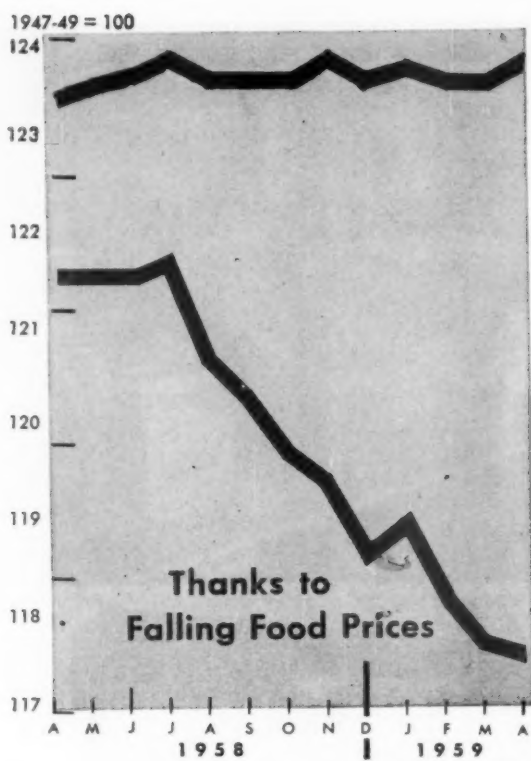
In addition, the double break, silver alloy contacts—a standard feature throughout the Allen-Bradley line—never need service attention. They are always in perfect operating condition . . . and remain so without maintenance until completely worn away. And *all* Allen-Bradley starters are equipped with two reliable and permanently accurate thermal overload relays to protect motors against "burnouts."

Guard against control failures on your equipment the way leading companies do—specify Allen-Bradley *quality* motor control. You *cannot* do better!

Allen-Bradley Co., 1332 S. Second St., Milwaukee 4, Wis.

• In Canada: Allen-Bradley Canada Ltd., Galt, Ont.

Over-all Consumer Prices Have Held Steady



Data: BLS.

NOW FOODS ARE

Ready to Rebound

Retail food prices have declined for nine months. But starting last month they began their usual seasonal rise. With food stocks in their shortest supply of the year, prices will continue to mount to their traditional peak around August before the fall harvest starts to drive down food costs again.

Over-all, the housewife's grocery bill is likely to be about 2% higher at the end of the summer than it is right now.

The decline in food prices that started last September has allowed the Consumer Price Index to remain approximately level, offsetting the rise in service costs. Prices of other commodities—notably manufactured goods—have remained generally even.

• **Change in Menu**—The average American's diet probably will undergo some changes this year mainly because of two factors:

• **Personal incomes** are higher this year than last year. This will mean some change in buying habits, including switches to higher-priced foods.

• **Crop yields** will vary, of course, according to the weather and other factors. For some commodities, notably fresh fruits and pork, supplies should be considerably greater this year than last. But in others, such as water-

melons, harvest will be down markedly.

• **Price Comparison**—On balance, however, Agriculture Dept. experts still expect food costs this year to peak off at levels somewhat lower than last year's record highs. This table shows representative food prices now in comparison with those in September of last year and estimates for September, 1959:

	Sept., 1958	Now	Sept., 1959
<i>Choice Round</i>			
Steak, lb.	\$1.04	\$1.06	\$1.08
Pork Chops, lb. ....	.93½	.85	.90
<i>Grade A large eggs,</i>			
doz. ....	.69	.45	.47
Milk, qt. ....	.24	.23	.24-.25
Bread, loaf ....	.19½	.20	.20
Butter, lb. ....	.75	.74	.75-.76
Chicken, broilers, lb. ....	.45	.43	.45-.46
American cheese, lb. ....	.45	.58	.60

• **Meats**—Beef and pork prices will rise somewhat this summer before turning down in the fall. The number of beef cattle coming to autumn market is forecast to be approximately the same or a little more than last year; so these prices shouldn't vary much.

However, later in the fall, there may be a sharper than usual drop in beef prices. Pastures do not show the lush growth of last year, so that cattlemen may be forced to let go more of their

herds. Prices of choice cuts would be lower next year as a result.

Cattlemen still are trying to hold their herds together at this time; so this will mean higher prices for now on poorer cuts of meat.

Pork prices will also show some big drops this fall as a result of bigger crops. Prices already are below a year ago.

• **Vegetables**—Vegetable prices will run against the tide this summer. Prices already have started coming down as first spring crops begin hitting the market. Over-all, vegetable prices should be about 25% lower by the end of summer.

Tomato prices, however, will be up considerably from last year because bad weather has cut present harvests by about one-third. Watermelon prices also will be higher because farmers have cut back plantings sharply after last year's bumper crops depressed prices.

Supplies of other vegetables will be about the same or a little more than last year. Onions, celery, lettuce, beans, and other vegetables are now beginning to come to market in good supply.

• **Fruits**—Fruit prices are among the trickiest to forecast at this time because they are now in their most crucial growing stage. Weather changes through the rest of this month could have marked effects on their output and prices.

However, in general, the outlook as of now is favorable for a good fruit crop, one considerably better than last year. The peach crop is estimated to be about 10% less than last year but still the second best crop in a decade.

Output of grapes, apricots, plums, prunes, and almonds should be much higher so that prices probably will range somewhat lower this fall than a year ago. Sweet cherries are the exception.

Canners may influence prices because their stocks on a number of items are low and they may decide to go into the market for the higher grades of fruit.

• **Eggs and Poultry**—Egg farmers now are in the midst of recession. Egg prices have tumbled in the last few months. Because of high meat prices last year, farmers increased the size of their flocks to increase production of eggs, one of the favorite meat substitutes.

However, egg prices should begin rising somewhat in July as production is cut back, although prices probably will continue to range below a year ago for the rest of 1959. Poultry prices also are down but they should be getting closer to last year's levels in the fall.

• **Dairy Products**—The poor condition of the pasture land also may affect output and prices of dairy products to some degree. The outlook now is for a 1¢-to-2¢ rise per pound in butter and cheese and about 1¢ in milk prices by fall.

• **Cereals, Bakery Products**—In general, little change is forecast in bread, bakery, and cereal products.



LAUNCHING AT SEA. Unarmed as it roars skyward, the Terrier guided missile is armed in the air by action

of "heavy metal" counterweights. Most "heavy metals" contain 6-7% Nickel. *Official U. S. Navy photograph.*

How the Terrier "unmuzzles" itself

The Navy's Terrier guided missile is "muzzled" as it streaks from its launching vessel into the sky. A safety mechanism keeps the missile from exploding prematurely even under severe shock conditions.

Cocking action is automatic. At a minimum safe distance from the deck, the force of acceleration depresses spring-loaded weights. Their movement cocks the missile.

The weights are made of Fansteel 77* metal, one of a group of high-density tungsten alloys containing Nickel and copper which are described by the simple but expressive term, heavy metal.

Heavy metal packs a lot of weight into a little space. It weighs half again as much as lead, yet is stronger than structural steel.


Tungsten is heavy by itself, of course, but is relatively difficult to shape. By combining it with Nickel by powder metallurgy, the Nickel and tungsten powders can be formed into shapes that require very little further finishing.

Many other uses. In addition to the partnership of *weight* and *workability*, heavy metal offers another desirable combination: *good corrosion resistance* and *moderate cost*. This foursome is responsible for

bringing heavy metal more and more jobs daily — jobs ranging from electrical and electronic parts to radiation shielding and vibration damping.

Do you have a metal problem weighing you down? Perhaps one that involves corrosion . . . high or low temperatures . . . stress . . . fatigue . . . or other troublesome service conditions? Talk it over with us. Nickel alloys offer many unusual properties, and can very likely prove useful in lightening your burden.

*Registered trademark of Fansteel Metallurgical Corp.

The International Nickel Company, Inc.
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INCO NICKEL

NICKEL MAKES ALLOYS PERFORM BETTER LONGER

In Business

. . .

Aching Railway Express Spurns

Two Offers, Brews Own Liniment

Railway Express Agency, its future in doubt since late last year, this week rejected two offers from investors who sought to buy it out. Its directors turned instead to a plan for reorganization of the agency proposed by its management. Details of the plan haven't yet been disclosed.

Railway Express' troubles started when the New York Central, its major (14%) stockholder, announced it would quit the agency Jan. 1, 1960, because it loses \$11-million a year carrying express shipments (BW—Jan. 3 '59, p18). The Pennsylvania RR said it, too, was considering withdrawing. Lehman Bros. and U. S. Freight Co. each offered to buy the agency, which is owned by 66 major railroads. But their bids were rejected this week.

When Railway Express' directors met this week, some sought to keep the agency together by allowing Eastern railroads to meet a smaller share of operating costs, but two directors from Western railroads scotched this plan. Management's plan for saving the agency, it's understood, skirts this idea.

Despite the rebuff it got this week, Lehman Bros. says it's "still in touch" with Railway Express.

. . .

Congress Shelves AEC Subsidy Plan

For Private Nuclear Power Plants

Congress is shelving the Atomic Energy Commission's proposal for capital subsidies to encourage private construction of nuclear power plants. The bill reported out this week by the Joint Committee on Atomic Energy made no mention of the subsidies, but confined itself to authorizing AEC to spend \$165.4-million in the next fiscal year to buy and build government power plants.

Chmn. Clinton Anderson (D-N. Mex.) personally favors some sort of capital grants, but his committee decided that none was needed for the small-to-medium plants it was authorizing. The subsidy plan will probably be resurrected next year.

. . .

Mine Workers Lose Last Legal Battle

Against \$400,000 Strike Damage Award

The U. S. Supreme Court this week slammed the last legal door on the United Mine Workers' efforts to escape a \$400,000 damage award for strike activities more than 10 years ago.

The court refused to hear a UMW reargument against the award to Meadow Creek Coal Co., of Monterey, Tenn., which had charged the union with an illegal sec-

ondary boycott and incitement to violence during an organizational strike.

In other actions, the court:

- Agreed to adjudicate the government fight with three steel companies—Republic, International Harvester, and Interlake—over alleged clogging of the Calumet River, near Chicago, by dumping of solid wastes.

- Agreed to decide next fall whether strike benefits paid by a union to a worker are taxable under the federal income tax law.

. . .

CAB Aide Urges Passenger Fare Boost,

Easing of Regulations on Airlines

Airlines struggling to pay their passage into the jet age got a helping hand this week from CAB examiner Ralph L. Wiser. He urged that the 12 trunk lines be given a 1.9% fare increase above the present temporary levels—which are 10.1% above the pre-1958 level. Fares, Wiser argued, should be based on a fair return on investment. He also urged that the lines be given wider management latitude. The lines have argued that with the old fares and regulations they cannot get the financing needed to buy jets.

United Air Lines last week ordered seven more Boeing 720s, bringing its total of jets on order or delivered to 58. A day earlier, it had accepted delivery of the first of its 40 Douglas DC-8 long-haul jet airliners.

The \$35-million additional order to Boeing—11 had already been contracted for—brings United's total spending on jets of all types to \$310-million. The line estimates that by 1965 it will need a fleet of 120 jet transports, with the over-all cost running around \$600-million.

For one thing, United is one of the few airlines that is not interested in turboprops; it's considering buying some short-haul DC-9s from Douglas, to compete with turboprops on short and medium flights.

. . .

Oil Refiner, Foe of Import Curbs,

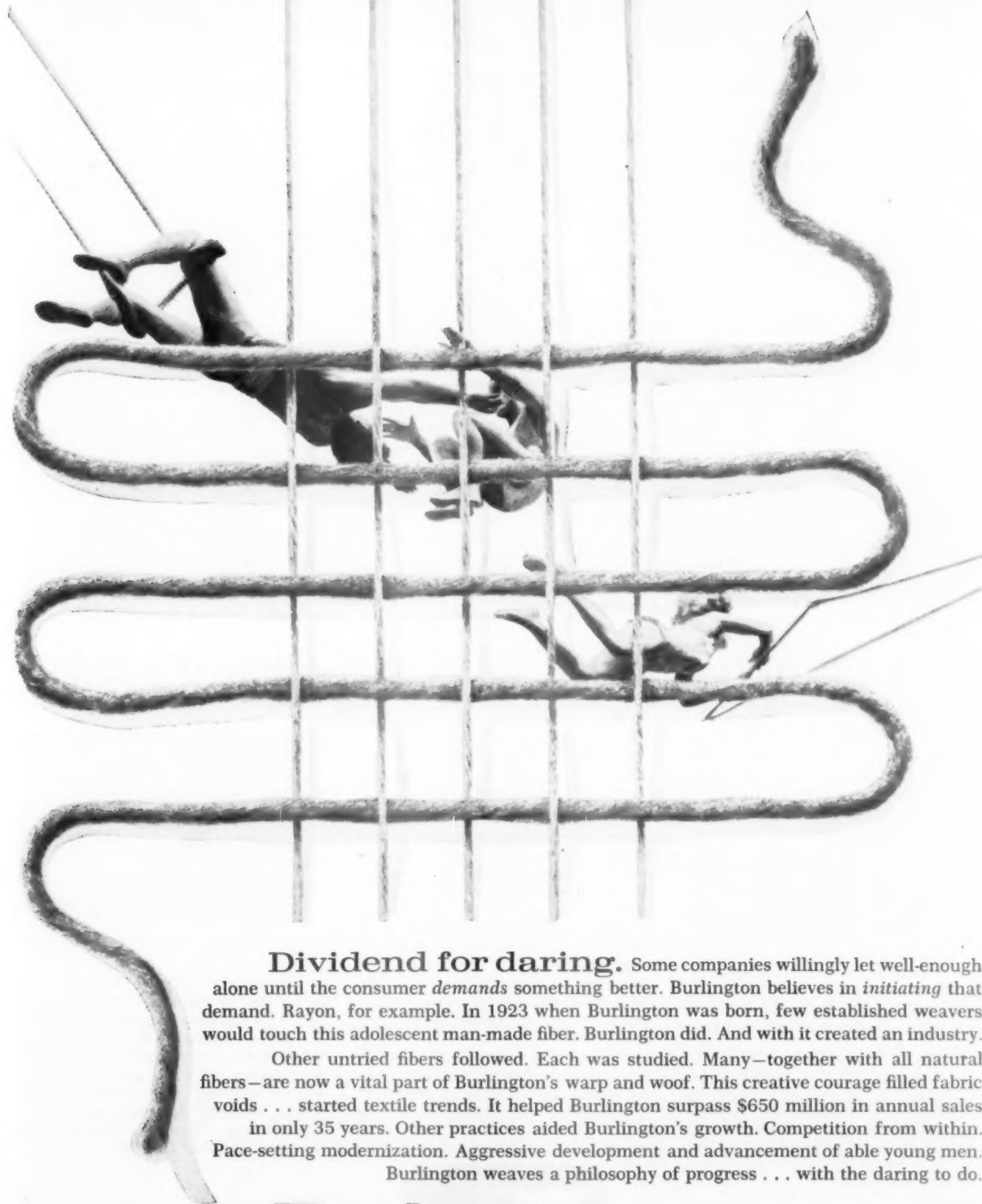
Plans Merger With Crude Producer

Final details of a merger are being ironed out by Eastern States Petroleum & Chemical Co., Houston-based independent (60,000 bbl. per day) refiner, and Signal Oil & Gas Co., of Los Angeles, primarily a producer.

Eastern States is an outspoken critic of Pres. Eisenhower's programs of import curbs, which have taken a big bite out of the refinery's crude supplies. On the other hand, the merger will increase the amount of its own foreign crude that Signal can import, because the allocations are based on refinery runs.

Natural gas service this week was extended to peninsular Florida, which has been the only remaining major population area not hooked on to the oil fields. Gas is already flowing through a 1,447-mi. pipeline stretching from southeastern Texas to a point south of Miami. The pipeline system cost \$164-million, and by next year will be able to carry a daily 417-million cu. ft. of gas.

Burlington weaves a philosophy of progress



Dividend for daring. Some companies willingly let well-enough alone until the consumer *demand*s something better. Burlington believes in *initiating* that demand. Rayon, for example. In 1923 when Burlington was born, few established weavers would touch this adolescent man-made fiber. Burlington did. And with it created an industry.

Other untried fibers followed. Each was studied. Many—together with all natural fibers—are now a vital part of Burlington's warp and woof. This creative courage filled fabric voids . . . started textile trends. It helped Burlington surpass \$650 million in annual sales in only 35 years. Other practices aided Burlington's growth. Competition from within. Pace-setting modernization. Aggressive development and advancement of able young men.

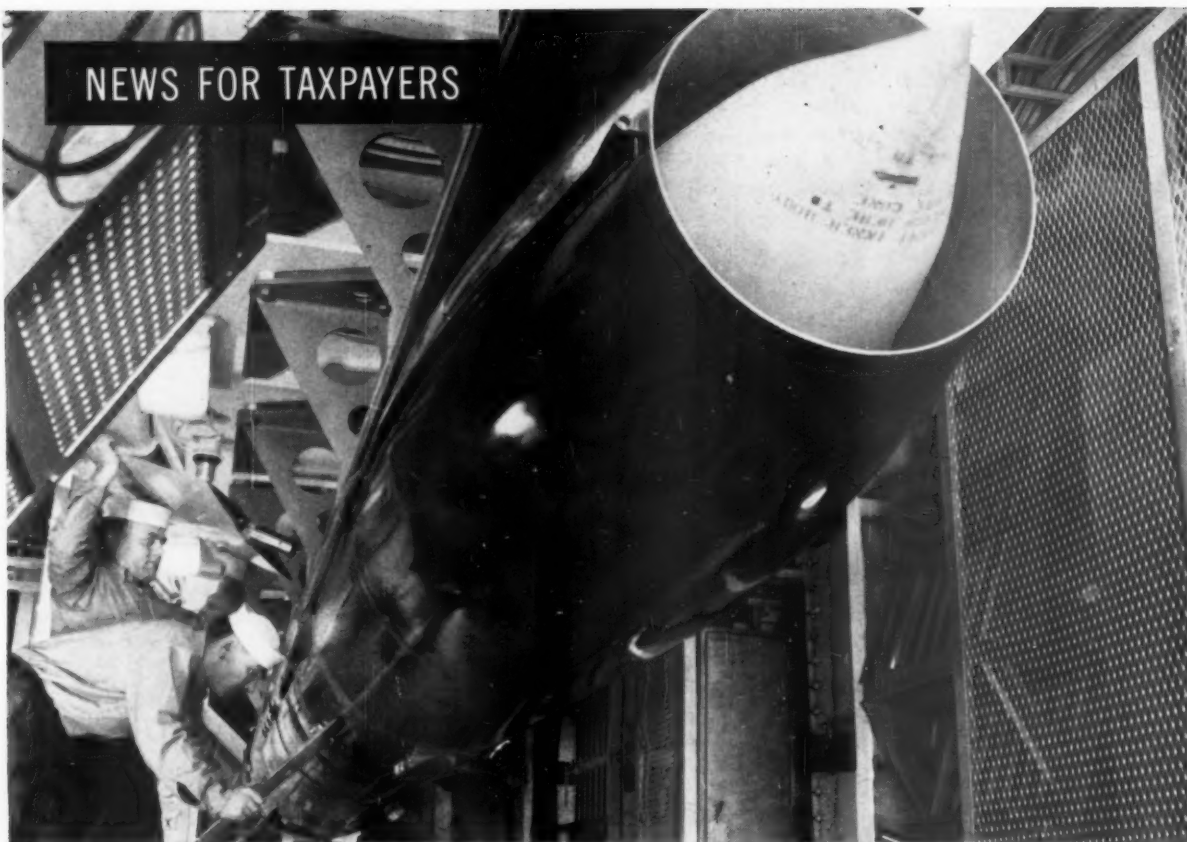
Burlington weaves a philosophy of progress . . . with the daring to do.

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NEWS FOR TAXPAYERS



Gunner's mates ready a deadly Bendix-Talos missile in magazine of missile cruiser, U.S.S. Galveston. Talos is ship's principal weapon.

WHEN THE NAVY LAUNCHES TALOS THEY KNOW IT'S READY

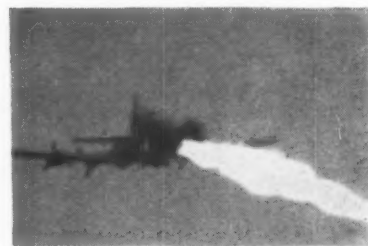
Instead of the laborious, time consuming check out process which takes hours before a missile is fired, Bendix has perfected a device which automatically checks out both itself and the missile in only 180 seconds.

It was designed specifically for the U. S. Navy's Bendix-built Talos which Admiral Burke has described as the "best anti-aircraft missile in any arsenal in the world." Talos is the principal armament of our new fleet of missile cruisers. These have replaced the battleship because Talos has far greater range and accuracy than the big guns of yesterday.

Before a Talos moves on its overhead tracks from the magazine to the launchers, the test device, known as Tatte (Talos Tactical Test Equipment) makes sure that the missile is ready to do its job. It gives a "go" or

"no go" verdict on a display panel. If anything is amiss it pinpoints the source of trouble so the defective part may be replaced quickly.

We have also designed several other specialized devices called Missile Flight Simulators for advanced scientific testing. These have helped shorten development and production time and have saved millions by "flying" missile components in the laboratory rather than in expensive actual flight tests. In designing a guidance system as many as 200 "ground flights" can be made in a day on Bendix missile simulators. Every reaction of the system is recorded on tape so experts can study instant-by-instant performance under varying conditions. Scores of other missile components can also be tested to be sure they are ready to accomplish their missions.



Talos missile scores direct hit on Q8-17 drone.

These are only a few of our activities in the space and missiles field. In addition to perfecting a new precision method of steering and controlling the attitude of satellites and space vehicles, and furnishing major elements for missiles of all types, we have the responsibility for developing "Eagle"—the Navy's newest air-to-air missile.

A thousand products



a million ideas

WASHINGTON OUTLOOK

WASHINGTON
BUREAU
JUNE 6, 1959



Rising consumer debt has Washington officials worried.

Their concern is that a 1955-like credit boom is in the making, and could trigger the much-feared inflation upsurge that has figured so prominently in this year's Eisenhower policies.

Some facts behind the worry:

Auto instalment credit jumped in April—showed a rise of \$220-million, compared to an average increase of \$169-million over prior months.

Other types of instalment credit are on the rise, too. Consumers are displaying an increasing willingness to go into hock for such things as appliances, furniture, and clothing. The April rise in this field was about \$120-million. The rise for the first quarter averaged \$80-million monthly.

For perspective, look back to 1955, a boom year. In the second quarter of that year, auto credit was leaping ahead at a rate of some \$320-million per month. Other instalment buying was sharply up, too. The thought among many Eisenhower advisers is that the big rise in consumer credit at that time helped set the stage for the 1957-58 recession—consumers spent themselves out, so had to wait to catch up.

There's little or no talk about consumer controls.

Pres. Eisenhower doesn't like the idea. Advisers who think the time is near when the government should step in with minimum terms—so much cash down, so many months to pay off—are reluctant to push their ideas on the White House. They fear the certain cool reception.

The main reliance will be on interest rates, for many months, at least. This is the Eisenhower policy. You see it in the rising Treasury rates on short-term financing and in the Federal Reserve Board's policy of allowing discount rates to move up as general interest rates rise.

Criticism of the policy is bound to rise. You will see this in Congress, in the many bill debates, and on measures to lift the debt ceiling and give the Treasury more freedom in setting interest rates on borrowing. In Washington, there are few economists who will argue that interest rates deter consumer buying of such things as autos and appliances. They feel that the big buyer consideration is, "How much can I pay a month?"

The Federal Reserve Board wants power over consumer credit.

The board won't fight for it though. The board position is that "If Congress will vote it, we will be glad to have it." There seems little or no chance that Congress will vote such authority this year. The Democrats control Congress and their inclination is to take issue with anything the Administration does to tighten credit. Democrats say that Administration worry about inflation is nothing but politics.

The next big farm program fiasco will be in corn.

It will damage Agriculture Secy. Benson's argument that acreage allotments and marketing quotas should be abandoned and price supports cut sharply as the route to sanity in the farm program.

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
JUNE 6, 1959

This is the picture:

Benson's plan is getting a first test on the 1959 corn crop.

Farmers can plant all they want, and preliminary reports from the Corn Belt show about 84-million acres now, up 10-million acres from 1958.

Weather conditions have been ideal; so a bumper crop is in prospect. Barring a big change, the 1959 corn harvest will approach—maybe even surpass—4-billion bu. The country needs, at most, only 3.5-billion bu.

All this will make political fodder for Benson's foes, of course.

But the really important thing is that it dramatizes the seriousness of the situation confronting American agriculture—and the fact that no one really has a workable solution.

—●—

The tax bite on the corporate profit dollar will stay high.

Note this development: The House Ways & Means Committee, which must originate all tax legislation, had to make a decision this week. Some \$2-billion in tax revenues would be lost if rates were allowed to drop June 30, under existing law. The committee came out for a one-year extension of the 52% rate, despite pressures for a two-year extension.

Here's the point: The extension has been voted year-by-year. You can now consider these rates practically permanent.

—●—

Another try at liberalizing the renegotiation law will be made. The House voted a four-year extension of the law, which permits the government to recapture "excessive" profits from defense contractors. Business efforts to get an exemption for incentive cost-cutting failed in the House. The Ways & Means Committee merely directed the renegotiation board to consider "incentive" clauses among other criteria in determining profits.

Sen. Saltonstall (R-Mass.) may push for the exemption in the Senate. The finance committee is now considering the legislation. Saltonstall is author of independent legislation that provides an exemption from renegotiation of incentive contracts.

—●—

McElroy will quit as Defense chief—won't stay for the remainder of Eisenhower's Administration. The death of Deputy Secy. Quarles upset McElroy's plans. The early news stories said he would now stick it out. Odds are he won't. Friends say he will leave late this year, to become board chairman of Procter & Gamble. His new deputy Thomas S. Gates, Jr., will take over.

—●—

For clues on the 1960 Democratic nomination, watch Speaker Rayburn. In addition to setting a record as House Speaker, he has set something of a record as chairman of Democratic conventions. He ran the show in 1948, 1952, and 1956.

Rayburn may step aside next year, as chairman of the convention in Los Angeles. If he does, it will be a sure sign that his close friend and political student, Senate Leader Lyndon Johnson, is out to win the Democratic nomination. Rayburn would give up the convention chairmanship so that he can work for "my boy, Lyndon."



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Pictured above is J-M Dutch Brand polyester electrical tape at work. Its extraordinary thinness gives it a "poured on" quality. It is one of fifteen new electrical tapes created by Dutch Brand to fill the exacting requirements of electrical specialists.

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Lustragray glare reducing glass
adds to the most modern,
distinctive appearance
of this new structure.



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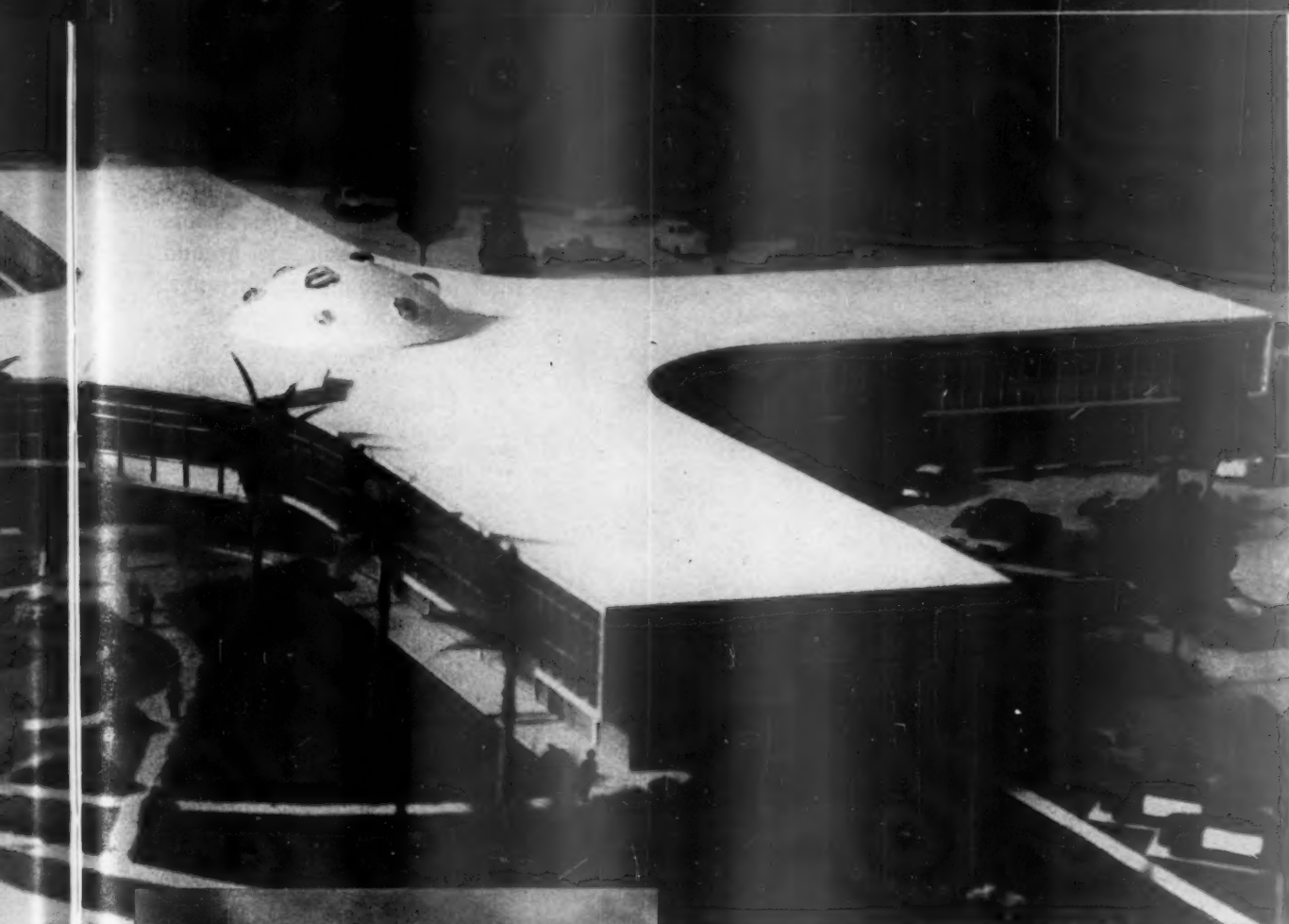
the glass that reduces glare and heat without sacrificing vision

The distinctive Lustragray "look" is one that you'll see in the windows and doors of more and more of the new and finer office buildings being erected today.

Lustragray is springing into favor for more reasons than just its high luster, neutral shade, and attractive appearance. Greater working comfort and increased efficiency are the Lustragray benefits that office building occupants can both see and feel.

Eliminating harsh contrasts in brightness levels minimizes eyestrain. Lustragray's glare control does this. Reducing solar heat minimizes fatigue. Lustragray's heat control is responsible. Even with all these advantages, Lustragray is economical.

Lustragray is going into new homes, new apartments, new offices, new buildings of every kind. Call your architect or builder, or write us for complete data.



Above—Lustragray glass gives a solid, skin wall effect to the exterior—affording privacy. **Right**—From the interior, the gray glass provides "clear-glass," non-glare vision.



WSW 7615-B

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AMERICAN-SAINT GOBAIN CORPORATION is a merger of the former American Window Glass Company, Pittsburgh, Pa., and the former Blue Ridge Glass Corporation, Kingsport, Tenn. (which was a wholly-owned subsidiary of Saint-Gobain of Paris, France). American Window Glass Division plants are located in Arnold, Jeannette, Ellwood City, Pa.; Okmulgee, Okla. Blue Ridge Glass Division plant is located in Kingsport, Tenn.

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is made by the makers of America's best clear sheet glass

Mexican Land Boom Lures Gringos



U. S. investors and speculators are getting in on the ground floor. Some are making fortunes, others are losing their shirts.

Well-heeled Americans with a penchant for playing their hunches have a new area in which to risk their money.

The west coast of Mexico—from Ensenada in the north to Acapulco in the south (map)—is in the throes of a land boom.

Beach fronts that sold for a few cents per square yard five years ago are now a bargain at \$16. All along the 2,000-mile coast, U.S. investors are quietly buying up choice sites—either for “hideaways” or with the idea of developing them into fashionable resorts.

Those who know the ropes are making fortunes by getting in on the ground floor of what Mexico thinks will soon be the “Riviera of the Americas.” But many who don’t understand Mexican laws and who are interested only in making a fast buck are losing their shirts.

• **Pioneer**—The coast between the U. S. border and Acapulco is a stretch of beautiful beaches, coves, fine fishing,



BEACH FRONTS along the west coast of Mexico are being bought up by Americans who see the region as another Acapulco.



HOTELS are springing up in little fishing villages. The new De Cima (above) was backed by two San Antonio oilmen.



BUILDING sites near Ensenada are being snapped up at prices many times what they sold for just a few years ago.

HOMES away from home for tired and retired U.S. businessmen dot the beaches at Puerto Vallarta.

WHAT THEY READ BETWEEN

THE LINES IS THE PAPER!

WHAT THEY READ BETWEEN

THE LINES IS THE PAPER!

WHAT THEY READ BETWEEN

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WHAT THEY READ BETWEEN

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EASTERN FINE PAPER AND PULP DIVISION
STANDARD PACKAGING CORPORATION
BANGOR, MAINE



HARRY TROENDLY, vice-president of Borg-Warner Corp., is financing an addition to the Palmilla Hotel on Lower California.

balmy climate, and lush tropical foliage. Up to now, Acapulco, with its glittering hotels, has been the big attraction—for Hollywood stars, the international smart set, and tourists. Acapulco was just a small fishing village in 1934, when Carlos Barnard, a Mexican, and Bill Pullen, an American, bought up much of the beach front and hotel sites for \$35,000. Today, the same land is estimated to be worth hundreds of millions of dollars.

• **Another Acapulco**—Now businessmen, particularly wealthy Californians and Texans, are staking out places farther north, on the theory that the really exclusive set is always a jump ahead of the tourist crowd. They recall that when the masses descended on Miami, the "elite" fled to Bermuda, then to Jamaica, and so on.

The result is that Mexico's little coastal beaches and fishing villages are swamped with land speculators, land subdividers, hotel builders, and the like—all hopeful that the boom will parallel the one that put Acapulco on the map in the 30s.

• **Dollars Migrate**—There are more concrete signs of the land boom, too. De luxe hotels and motels are springing up; new paved roads are threading their way into the lonely haunts of the beachcomber; airstrips are under construction, more are in the planning stage. And if you scratch almost any deal, you'll find American capital.

In Mazatlan, for example, two San Antonio oilmen, David P. Stephenson and Emmett Hendrix, have merged with Arturo de Cima, a local Mexican shrimp fleet baron to open the new \$1-million De Cima beach-front hotel.

At Barra de Navidad, Dr. Salvador Madrigal M. is constructing a "planned paradise" on a lush South Sea Island-

type lagoon. Madrigal's company is seeking \$10-million in loans to finance the project. Nacional Financiera (Mexico's government development bank) has Madrigal's project under study for a loan in combination with some New York banks and possibly the World Bank. And Madrigal says he will welcome private U. S. capital to help build his hotels and airport.

A U. S. group headed by Boston lawyer Bert Saunders and backed by some Houston oil equipment executives will build a \$500,000 hotel at Puerto Vallarta. The hotel will have 16th Century Spanish Colonial architecture, a pool, and surrey-topped European convertibles to haul guests. The group also plans two other hotels and has bought up 60 acres of farm outside the town to supply the hotels with produce. The Mexican investors in the combine are headed by Guillermo Ruiz Llaguno, owner of Providencia Tequila distilleries.

Nearby, a \$1-million international airport is being financed partly by Compania Mexicana de Aviacion, an affiliate of Pan American World Airways.

South of Puerto Vallarta, near Manzanillo, a group headed by Luis Bustamante, a real estate king of Mexico City, plans to build two hotels on the 1.3-million sq. yd. purchased in 1952 for \$400,000 (now said to be worth \$2.2-million). Bustamante will also put up 50 bungalows for rent, a yacht club, and a commercial center. Cost: \$4.3-million. Bustamante is negotiating with a Washington lawyer, Oscar L. Chapman of Chapman, Wolfson & Friedman, who is organizing a group to supply financial backing.

Lower California may feel the boom first, partly because of its proximity to the exploding population of California. Hilton Hotels is part of a group that is planning a 100-room hotel and airfield at Cabo San Lucas. Harry Troendly, group vice-president of Borg-Warner Corp., is financing an addition to the Palmilla Hotel to provide permanent quarters for himself and for company doings. Land in this Las Cruces-Palmilla area, now selling for about \$25 an acre, is expected to skyrocket when the new hotels and airstrip come in.

• **Smaller Deals**—Big business isn't the only taker. Americans are building homes all along the coast. A new airfield at Mazatlan—opened last month—puts U. S. sportsmen within flying distance of the port's famous fishing grounds. Many of them are staying, and getting in on hotels and motel deals.

• **Warning Signals**—But for the foreign investor who has get-rich-quick notions about the Mexican Riviera boom, there are many words of advice and caution.

First of all, the Mexican government says it's illegal for foreigners to own land along the beach or frontier (originally a defense measure). This means



Climate by Chrysler

**erases \$10,615 a year
off the cost of erasers for
Venus Pen & Pencil**

Venus Pen & Pencil Corp. now produces better erasers—and saves \$10,615 a year besides—by using a Chrysler Liquid Chiller to supply cool water for the rolls used in calendering the rubber.

The rolls must be kept from overheating to prevent discoloration or damage to the rubber. Venus Pen & Pencil had been using city water in its Lewisburg, Tenn., rubber plant. Water costs ran nearly a penny per pound of processed rubber. And, since water temperature rose too high in summer, 10% of its production was wasted.

The Chrysler Liquid Chiller solved the production problem by keeping recirculated water at a constant 50° F. Eraser quality improved . . . and \$9,000 worth of waste rubber per year was eliminated. Water costs were cut almost 75%—saving \$3,550 annually. And maintenance costs on the rolls dropped \$500. Net savings of \$10,615 in the first year practically paid the entire cost of the Chrysler Liquid Chiller installation.

Where chilled water is required for cooling a process, or cooling for comfort, Chrysler equipment offers many exclusive advantages: Hermetically sealed Radial Compressor, innerfin direct expansion chiller, lower installation and maintenance costs. Get the complete story and technical data from your local Chrysler Applied Machinery and Systems sales office. Or write: Airtemp Division, Chrysler Corp., Dept. C-69A, Dayton 1, Ohio. In Canada: Therm-O-Rite Products, Ltd., Toronto, Ontario.



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Other Middle South assets include plentiful low-cost power, abundant industrial water, international transportation facilities and processed resources such as petro-chemical, aluminum, acids and many others.

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NEW ORLEANS PUBLIC SERVICE INC.
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ROBERT FISHER, chairman of Hubinger Co., is backing resort developments—including hotels and airports—in Las Cruces area.

that would-be American or other foreign investors have to do one of three things: (1) Lease the land for less than 10 years, hoping to be able to get a renewal; (2) buy the land in a Mexican's name, and trust he won't sell you out; or (3) form a complicated Mexican corporation that in turn administers another all-Mexican company that owns the beach land.

In addition to not being able to own beach front, the investor will find that getting land titles is a major operation in some isolated spots (where the best beaches are). One group in Puerto Vallarta spent 22 months and \$40,000 digging out old land titles that had to be traced back only to the 1920s. Often, too, an outsider finds he is involved with a phony land seller who doesn't even own the property in question.

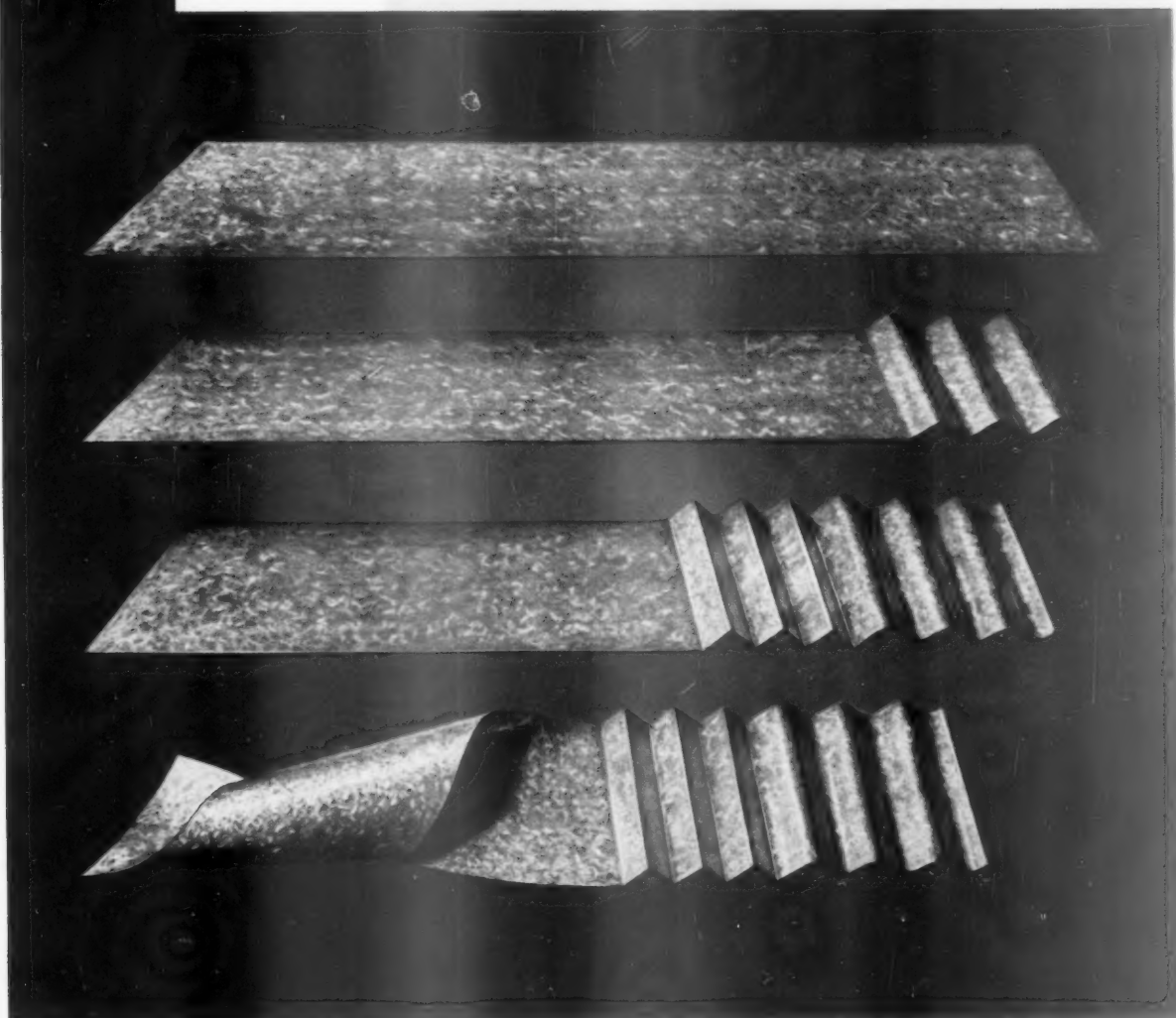
One enthusiastic American decided to go in with a Mexican group to buy a resort spot on a beach. The place looked great in January, and the land was snapped up. In the summer, the rains came—and so did the little gnats called jejenos. The place was a flop.

Water, weather, and transportation are other considerations that "burned" investors talk about. Part of the year, a place may have a marvelous climate on one side of the bay, while your side will be sizzling.

• **The Odds**—There are many other pitfalls in the boom. Many investors are risking them, and some are making fortunes. Along with Americans, Mexicans are discovering their beaches. As the middle class grows and the money spreads around, Mexicans have cars and the urge to enjoy their seaside resorts. This Mexican migration, coupled with the U. S. Southwest's population growth and the need for new vacation land, should make beach site prices soar, say Mexican Riviera boosters. **END**



*Imagination in steel...by **Wheeling***



When Wheeling puts zinc on steel...it stays on for good!

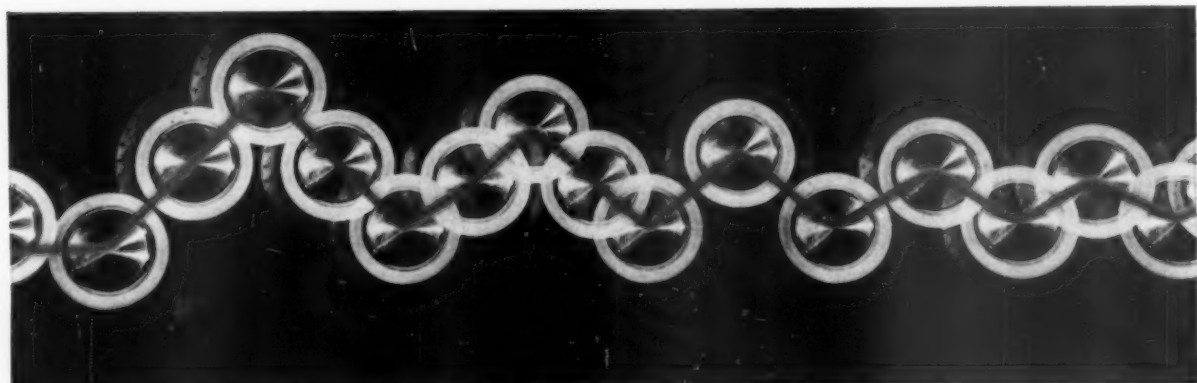


For a long time metal workers have known of zinc's wonderful corrosion resistance and steel's amazing strength. So it was natural to coat steel with zinc to gain both rust resistance and strength. Galvanizing, they called it. Unfortunately, the zinc often peeled off.

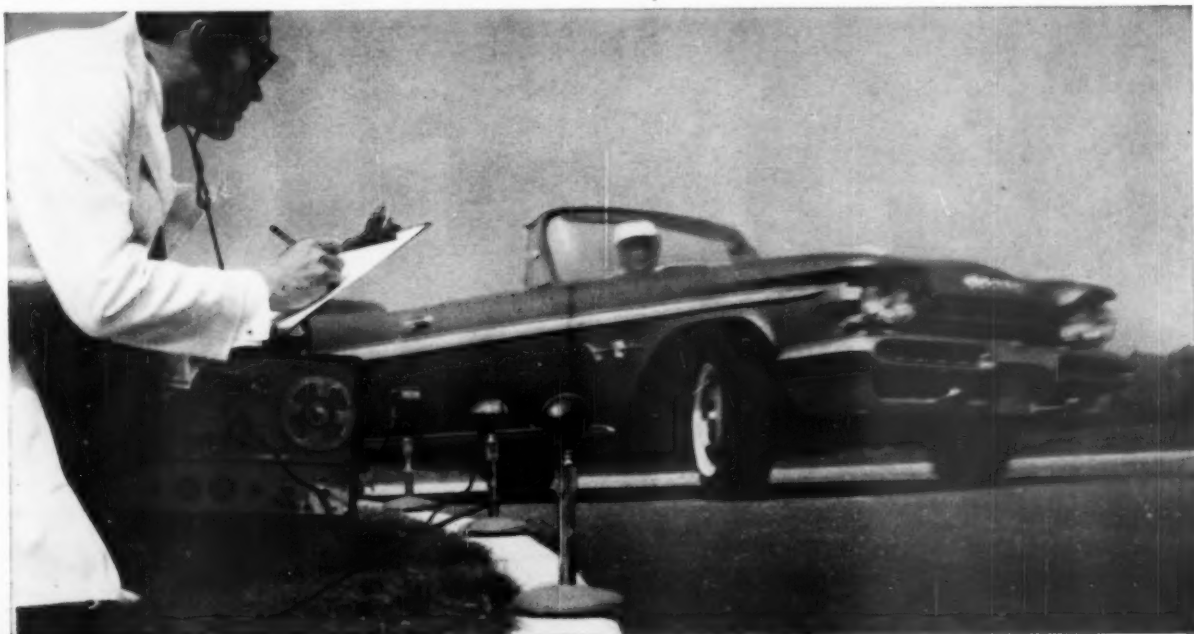
Then Wheeling Steel developed an amazing new galvanized sheet called **sofTITE** and **sofTITE Cop-R-Loy**

(our copper-bearing galvanized steel). The remarkable thing about **sofTITE** is that the zinc always stays on, come severe bend or tortuous twist. The result is hundreds of better products for you—products that stay strong and new-looking far, far longer. Wheeling Steel Corporation, Wheeling Corrugating Company, subsidiary, Wheeling, West Virginia. **IT'S WHEELING STEEL!**

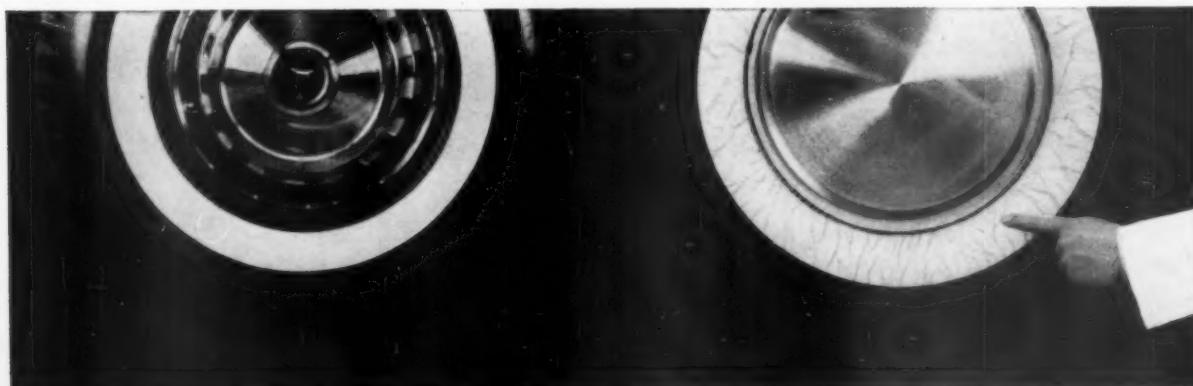
NOW! "SCREECH-FREE" TIRES...



ORDINARY TIRES HAVE "AFTER-BOUNCE DRIBBLE." Ordinary rubber causes multiple rebounds after a road shock. This "after-bounce" transmits vibration and noise to passengers inside the car, causing discomfort and fatigue.

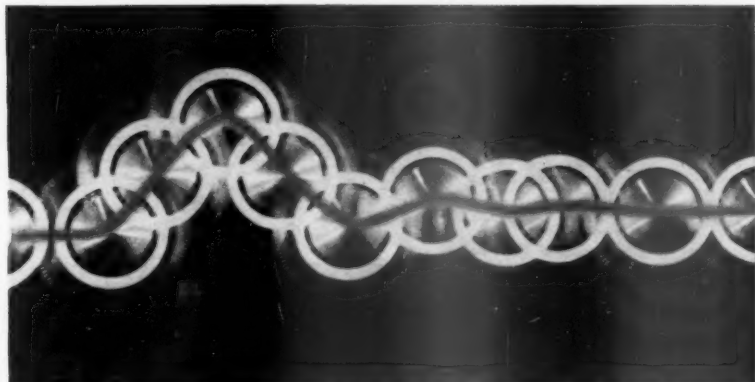


GRIP THE ROAD SO WELL THERE'S NO TIRE SCREECH. This unique characteristic of Enjay Butyl is found in no other rubber. On sharp turns, quick starts, hot pavements and even "panic stops," the annoying squeal is gone.

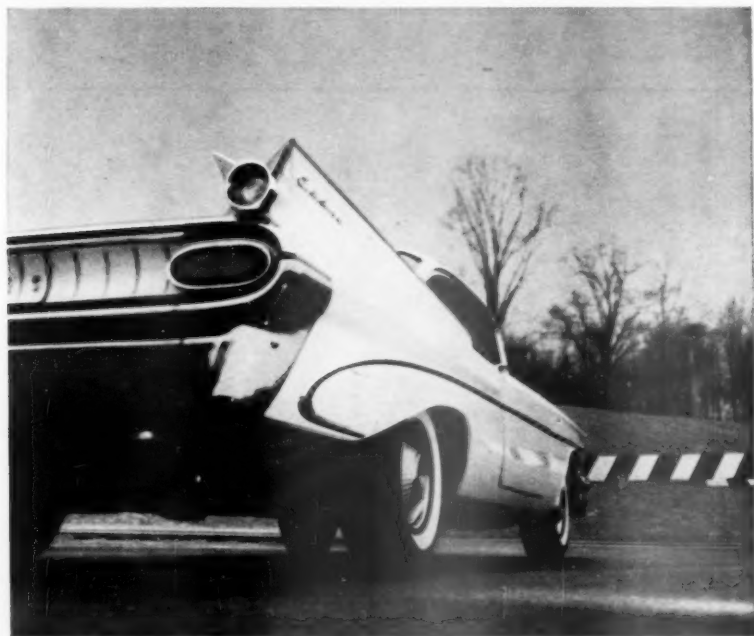


UNAFFECTED BY WEATHER AND AGING. Enjay Butyl, *left*, retains flexibility, unbroken surfaces and a shiny "new-tire look." Ordinary tires, exposed to ozone, sun, and weather, grow dull, sidewalls show checks or cracks, become hard and brittle.

MADE OF BUTYL RUBBER



BUTYL TIRES CUSHION SHOCK . . . "FLOAT" ALONG. Inherent shock-absorbing qualities of Butyl literally soak up bumps, for the smoothest, quietest ride.



BUTYL TIRES STOP UP TO 30 PER CENT QUICKER — out-stop other tires on wet or dry surfaces. Here is a safety feature no other tire can give.



TESTED FOR MILLIONS OF MILES, from desert to sub-zero mountain roads, tires of Butyl have proved their mettle. Yet they cost less than most premium tires.

RUBBER SO NEW AND REVOLUTIONARY IT MAKES TIRES THAT STOP FASTER, RUN QUIETER, ABSORB ROAD SHOCK BETTER THAN ANY OTHER TIRES

Just coming on the market are remarkable new tires that not only won't squeal, but also give superior traction with a shock-absorbing ride that literally up-grades any car using them. They out-stop other tires by as much as 30%.

They're made of a remarkable "elastomer"—Enjay Butyl—a man-made "miracle rubber" long the standard for inner tubes and already being used in more than 100 ways in today's most up-to-date cars.

So effective is the traction of tires made of Enjay Butyl that *they stop quicker on wet surfaces than other tires do on dry*. They are virtually immune to checking and cracking. (Even the unused spare keeps its smooth, shiny "new-tire look.")

To passenger car owners, fleet owners and commercial users as well, tires made of Enjay Butyl mean new comfort, silence and safety without sacrifice of tire mileage.

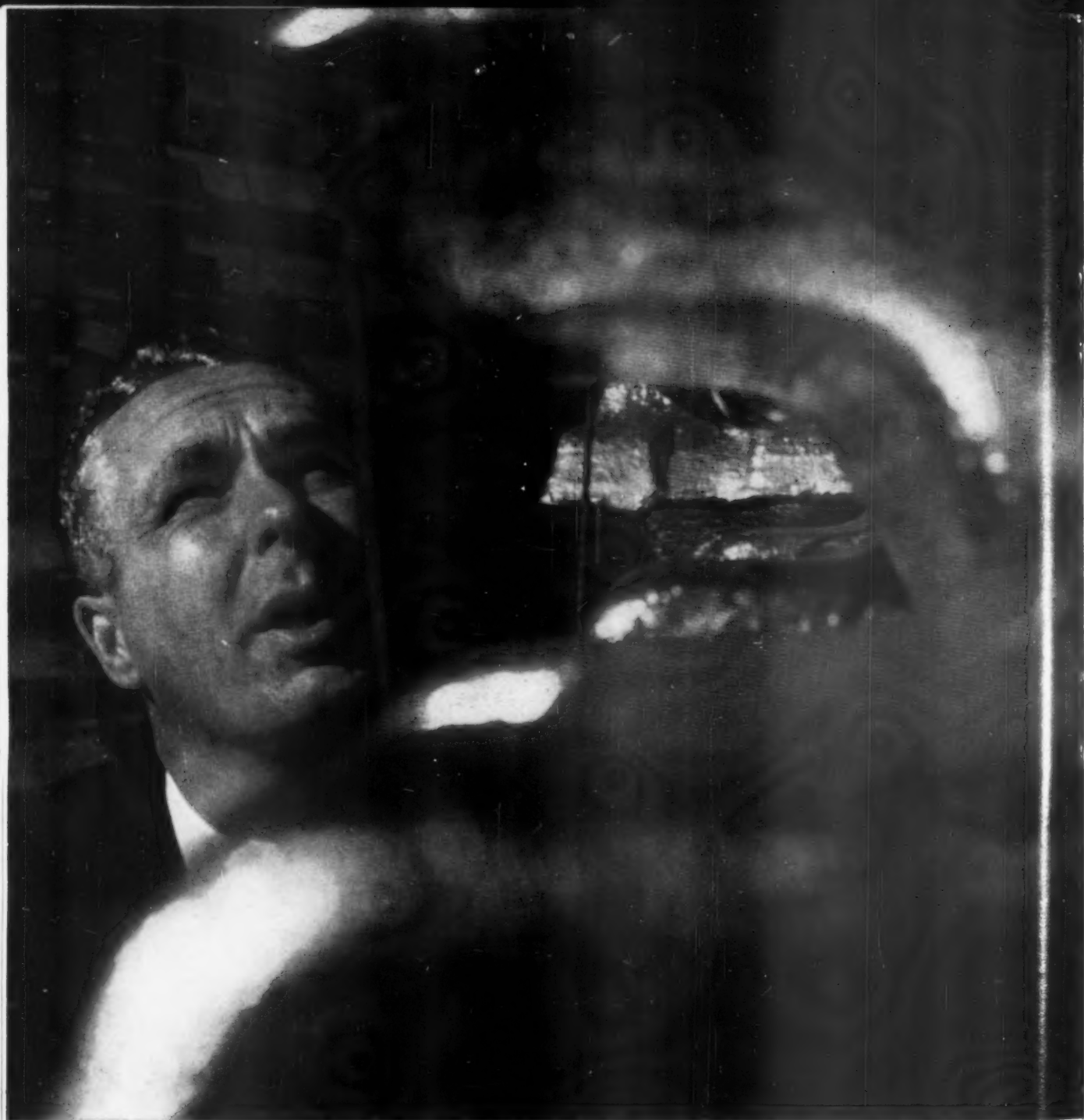
In these revolutionary new tires—as in hundreds of other products—Enjay Butyl outperforms natural and other types of rubber everywhere under the sun.

The Enjay Company does not make tires. It supplies Butyl rubber to manufacturers of tires, tubes, and hundreds of other products.

EXCITING
NEW
PRODUCTS
THROUGH
PETRO-
CHEMISTRY



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Photograph by Bruce Davidson

DICK WILSON LIVES WITH ALUMINUM

If the next man to enter your office is an average Alcoa salesman, he'll shape up a lot like Dick Wilson. He'll draw on the experience Alcoa has gained in 80 years of aluminum production. He'll have more time to serve your interests, because he belongs to the aluminum industry's largest sales force.

He was carefully screened for his work, for out of 66 candidates, only one makes the grade. He's probably a graduate

engineer; six out of ten Alcoa salesmen are. Before his first call, he spent time in nine principal Alcoa plants to learn how aluminum is made and fabricated—part of the most intensive sales training the industry offers. All these figures give him a broad edge over his competitors.

Because he lives with aluminum on a job that takes him into scores of shops on hundreds of applications, he regu-

larly brings outside light to bear on your problems. And most important of all, he is your direct line to matchless technical resources. You can count on Dick Wilson and his counterparts in 72 Alcoa sales offices to put more than just 16 ounces of metal into every pound of Alcoa® Aluminum you buy. Aluminum Company of America, 2016-F Alcoa Building, Pittsburgh 19, Pa.

ALCOA helps you design it, make it, sell it



Alcoa has hundreds of Dick Wilsons to help you design it, make it, sell it

All of Alcoa's skills are mobilized to a single purpose: To put more than just 16 ounces of metal in every pound of Alcoa Aluminum you buy. Here are 12 of the dozens of ways to do it:

1. **Research Leadership**, bringing you the very latest in aluminum alloys and applications.
2. **Product Development** by specialists in your industry and your markets.
3. **Process Development Labs** for aid in finishing, joining and fabricating.
4. **Service Inspectors** to help solve production problems at your plant.
5. **Quality Control** to meet top standards or match your special needs.
6. **Complete Line** including all commercial forms, alloys, gages, tempers.
7. **Availability** via the nation's best stocked aluminum distributors.
8. **Foremost Library** of films and books to help you do more with aluminum.
9. **Trained Salesmen** with a wealth of on-the-spot information.
10. **Sales Administrators** constantly on call to service your orders.
11. **Year-Round Promotions** expanding your old markets, building new ones.
12. **The Alcoa Label**, leading symbol of quality aluminum, to mark your goods.

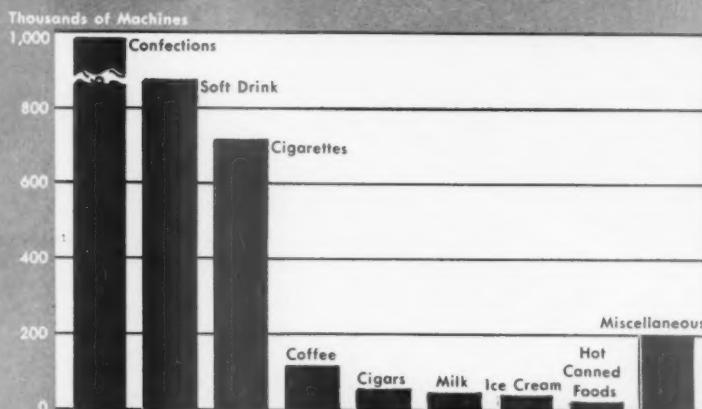
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CHARTS OF THE WEEK

Vending Machines in Operation



Data: Vend Magazine.

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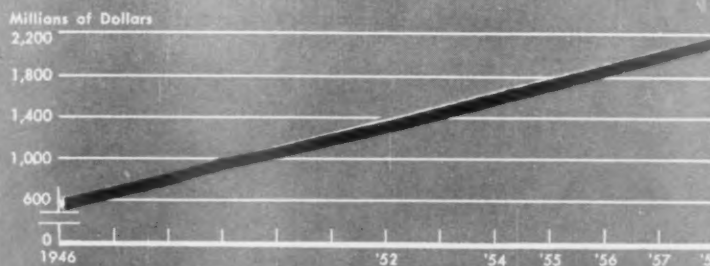
Coin-Operated Machines Grow

Vending machines date back to 219 B. C. (an apparatus dispensed holy water when a coin tripped a lever), but they didn't find their niche until the 1920s, when workable cigarette machines hit the market. Today, an army of 3.7-million automatic salesmen stands 24-hour duty in plants, institutions, offices, and public places.

Last year, almost 1.7-million mer-

chandising robots spewed candy, cookies, and chewing gum; 869,800 poured more than 7-billion containers of chilled beverages; 717,400 dispensed over 3-billion packs of cigarettes; and 113,900 sold 459-million units of milk. The remainder distributed ice cream, coffee, hot canned foods, cigars, and a variety of merchandise including insurance policies, hosiery, and jewelry.

Vending Machine Sales 1946-58



Data: Vend Magazine.

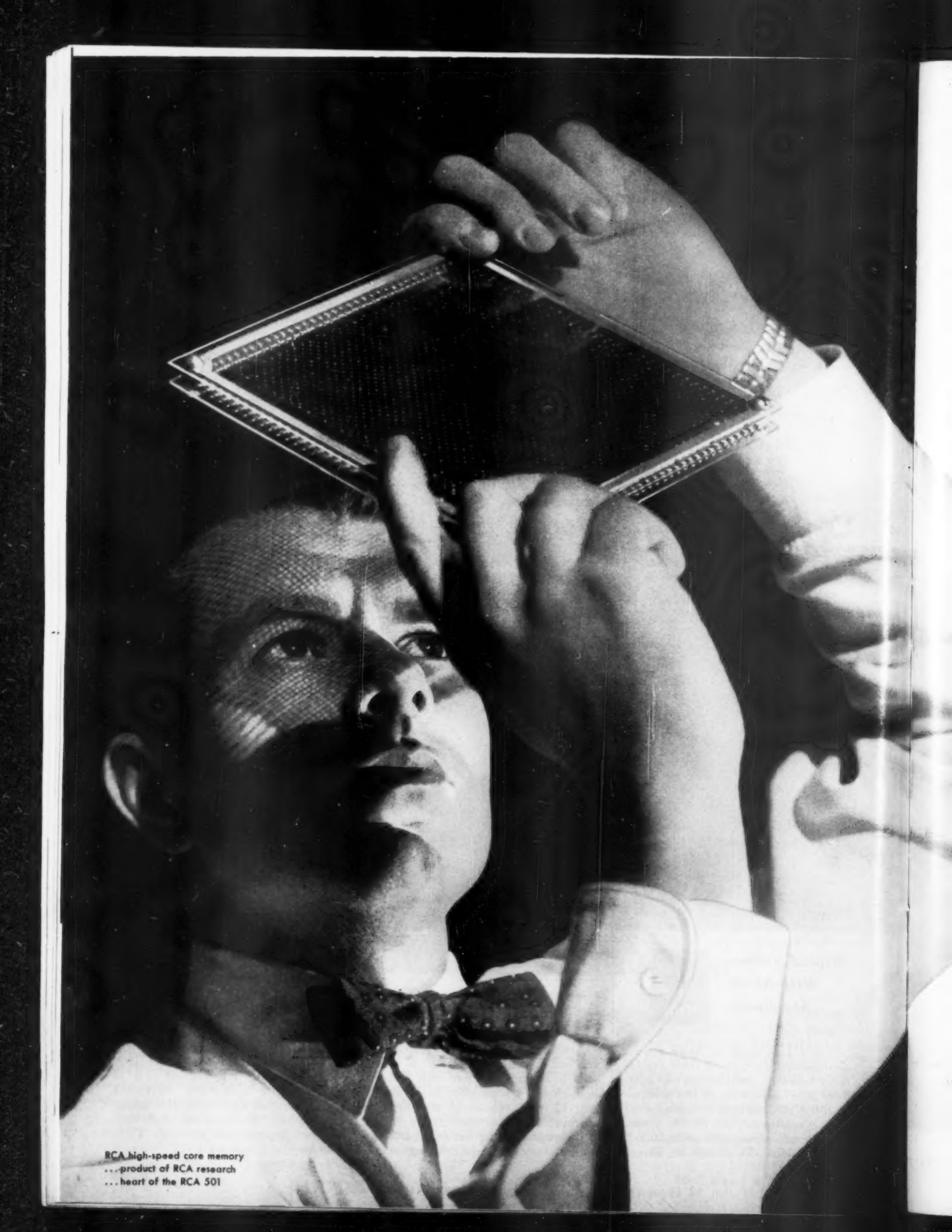
©BUSINESS WEEK

... Into a Major Sales Force

Americans fed enough coins into vending machines last year to boost sales to a record of more than \$2.1-billion, almost 4% ahead of 1957. In the past 12 years, volume of sales through machines has more than tripled.

Automatic selling has become a significant factor in the marketing of cer-

tain products: Cigarettes alone brought in \$821-million in 1958—almost 26% of total vending revenues and 15% of total cigarette unit sales. Soft-drink venders chalked up \$371-million in the same period. Packaged and bulk confections brought in a sweet \$303-million.



RCA high-speed core memory
...product of RCA research
...heart of the RCA 501

Out of the Labs of the Leader Comes a New Era in Electronic Data Processing

A new concept . . . In the day-to-day conduct of modern business and government, an overwhelming mass of paperwork and information have to be mastered in the least possible time. The sheer complexity of this problem suggested the application of advanced electronics. RCA accordingly has channeled its resources and unique electronic experience to the creation of the RCA 501 Electronic Data Processing System. It ushers in a new era in management control by offering highly developed, full-scale electronic data processing at low cost per unit of work.

New in styling . . . The competence of the RCA 501 is expressed in brilliant styling. "Styling" here means more than fine appearance. It means compactness for smaller space, lightness for less floor loading — both possible because transistors are used throughout both the basic system and the companion equipment.

New low in cost . . . The RCA 501 saves money both initially and in operation. As a full-scale data processing system, it is capable of doing a complete job on initial applications at a surprisingly low monthly rental. But that's just the beginning:

Speeds, capacities and functions of the units are balanced for maximum equipment utilization. Time-shared electronics permits the simultaneous handling of several processing operations. True variable-length recording saves miles of tape and hours of machine time. Power and cooling requirements are lowest ever.

New high in expansibility . . . The RCA 501 can actually grow with you. As your business growth increases your work load, making it necessary to assign new procedures to the system, RCA units may be added progressively without disturbing the original installation or disrupting the programming.

New standard of service . . . Complete RCA service is available to users of the RCA 501. This includes: planning and programming assistance, testing, maintenance and personnel training.

At this date approximately twenty-five medium and large companies in banking, insurance, communications and manufacturing, as well as public utilities and government agencies, have placed orders for early delivery of the RCA 501.

RCA 501

Electronic Data Processing System

The RCA 501 may be seen in actual operation at RCA's Cherry Hill (N.J.) plant. Come and see it perform, or write us for a demonstration. Address: Radio Corporation of America, Electronic Data Processing Division, Camden 2, N. J.



TMK(s) ©

RADIO CORPORATION of AMERICA

ELECTRONIC DATA PROCESSING DIVISION, CAMDEN 2, N. J.

FINANCE

In Investing, It's the

State Street, Boston, has some of the country's smartest managers of other people's investments. Their formula: Take risks, within prudence.

Except for certain comestibles, Boston is probably best known for its first families, the most prominent of whom—so legend and limerick have it—are the Lowells and the Cabots.

Paul Cabot and Ralph Lowell (cover) are representative of "Proper Bostonians" in their family backgrounds, the schools they attended, the clothes they wear, the clubs they belong to, and the company they keep. They, and others like them, have developed a distinctive, almost aristocratic, way of life.

They also have a distinctive business background. For Ralph Lowell and Paul Cabot are both in investment management, which ranks as one of Boston's oldest and most respected professions. Ralph Lowell is chairman of the Bos-

ton Safe Deposit & Trust Co., which manages portfolios held by individual and family trusts, pension funds, and charitable institutions. Paul Cabot is president of State Street Investment Corp., a \$200-million mutual fund, and treasurer of Harvard University, overseeing its \$600-million endowment fund.

• **Boston's Forte**—The management of large sums of money—their own and that of others—is the chief characteristic of Boston's financial community. Its banks and trust companies handle about \$4-billion in their portfolios. Mutual funds got their start in Boston, and Boston's mutual funds have a market value of more than \$4.6-billion. Private trustees and investment counselors handle well over \$5-billion. The portfolios of Boston's cultural and educational institutions—including Harvard—amount to more than \$1-billion. Taken together, Boston's money managers are responsible for some \$15-billion in investments.

New York's financial community han-



CABOT MEETS LOWELL against backdrop of the Old State House. Both manage important trust funds.



PERSONAL TRUST MANAGERS of Second Bank-State Street Trust Co. meet regularly to review portfolios entrusted to them.

e Prudent Bostonian

dles a much bigger amount—but Wall Street, money market to the nation and the world, is as much a banker and broker as it is an investor. Boston is pre-eminently an investment center, and its State Street community claims more experienced investment men per capita than any other city in the country. Moreover, Boston is confident that in the exacting job of investing funds for either income or appreciation, it bows to no one.

- **Well Disciplined**—A good deal of Boston's money, and the origin of its rise as an investment center, is held in legal trusts, meaning that the men who manage it are held responsible by the courts for their actions. Some of the trusts are testamentary, which does not give the trustee much freedom of maneuver; others are wholly discretionary, which means the trustee has full power over the disposal of the funds.

But all of State Street's money managers—whether in mutual funds, banks, or individual trusts—seek to live up to the discipline imposed by the legal trusteeship.

I. Debt vs. Equity

This week, with the stock market at a new high, Boston's investment men are puzzling over the problem of what policy is best suited to their clients. Some admit they are lightening up on the equities in their portfolios; others are sitting tight, convinced that success lies in holding on with blue chips. In either case, they see themselves as much more detached and stable than their counterparts in New York or Chicago or San Francisco.

State Street is proud of its traditions, particularly the tradition of handling large amounts of money for a long, long time. It has seen the economy—and its investments—go up and down, and it has ridden out financial storms with the sanguine calm of the old clipper captains (prin'ts of whose ships are a must on every State Street wall). Boston's money managers did not panic in 1929. Their preference for solid blue chips and their restraint in speculating on thin margins kept their portfolios from being badly burned.

State Street, like Wall Street, is currently equity-minded. But Boston's money managers are relatively immune to sharp shifts in investment fashion; they have been consistent in favoring equities. They complain that Wall Street, which is the style setter, is given to wide swings, neglecting common stocks at one time, going overboard on commons at another. At the moment, Bostonians feel, Wall Street is putting

too much into risky growth situations.

- **Timeless Quality**—Boston may be at the other extreme. A dissatisfied customer recently took his money out of a trust company and put it into a mutual fund. He felt it hadn't appreciated enough in the past 10 years; the trust managers had made only 17 transactions in the account.

This reluctance to trade is shared by many men in State Street. Boston's financial community prides itself on the unexcitable, timeless quality of its investments—and its investment managers. Their philosophy is well stated by Richard Chapman, president of the Merchants National Bank: "The Boston trustee needs a very good reason to kick out something he once decided was a good thing to buy. After all, what we're trying to do is run a marathon, not a hundred-yard dash."

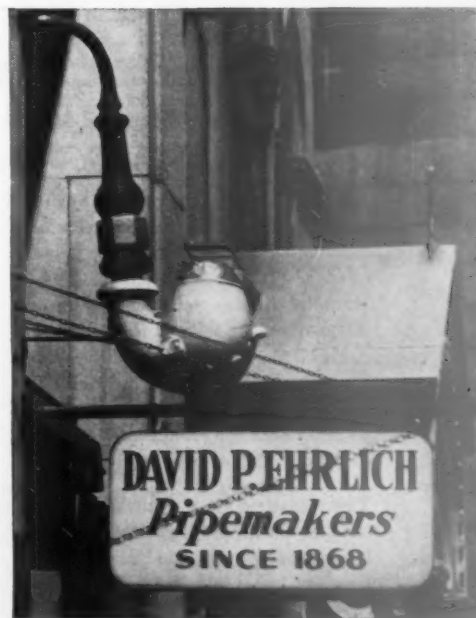
II. Sense of Prudence

Long before Boston made a tradition of holding a marathon on Patriot's Day, many shrewd Yankees had amassed fortunes in shipping, textiles, real estate. For the most part, this money was wisely invested and reinvested, with the proceeds—and the investment philosophy—handed down from father to son. The sons were told never to spend principal and to think in terms not only of the present generation but of the next. Today's investment managers have added to old fortunes and made new ones by faithful adherence to the same precepts.

Many estates, however, were not handed directly from father to son, because the sons were too young or there were only daughters. So a close friend or relative was designated as a trustee. In time, the job of investing other people's funds was regarded as a full-time occupation, and as industry moved away and as estates were divided among more and more heirs, it became a key Boston profession.

- **The Prudent Man**—But the dominant role of Boston's investment managers is not solely due to the fact that its early residents had a penchant for making money. The rise of the trustee also dates back to a celebrated court decision made in 1830, when Harvard College brought suit to take over an estate, half of which was in common stocks that were declining in value. Harvard sought to sell the securities and reinvest the proceeds.

"Do what you will," declared Justice Samuel Putnam. "All that can be required of a trustee to invest is that he shall conduct himself faithfully and exercise a sound discretion. He is to



PAST LIVES ON in the decor of the historic State Street financial district.



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penlight batteries. Plays back instantly through powerful built-in speaker, or for your private listening, through dual purpose microphone. Lightweight, only 6½ lbs. Battery-saving accessories available—for home, car and boat. At appliance, camera and department stores.

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observe how men of prudence, discretion, and intelligence manage their own affairs, not in regard to speculation, but in regard to permanent disposition of their funds, considering the probable income as well as the probable safety of the capital to be invested."

This soon became known as the Prudent Man rule, which has subsequently been adopted in one form or another by most states. But its early spelling out in Massachusetts gave Boston's trustees a head start. They have been working hard to hold their lead ever since.

• **In Character**—Anyone leaving money in trust can, of course, direct that his money be placed in specific securities. The Prudent Man rule only applies in cases where no directions are provided. As long as they show prudence, trustees use their own judgment in making investments and need not worry about a court suit if they favor stocks over bonds, or vice versa. Thus, it provides great freedom of action in deciding on an investment policy.

The Prudent Man rule has worked exceptionally well in Massachusetts, primarily because Boston's trustees are, in fact, prudent men.

Some of them, including a large number of law firms, devote all their time to serving as trustees for individual and family estates. These get a fee that is roughly one-half of 1% of the trust, about the same fee charged by mutual fund managers. Others, like Cabot and Lowell, serve a wider variety of investment interests. But whether full-time or part-time, the responsibility of a trusteeship is one not taken lightly.

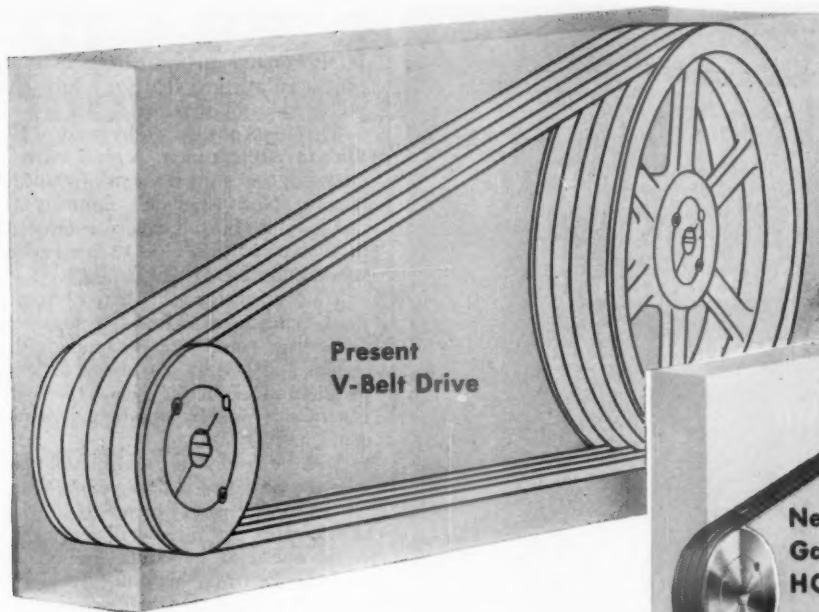
III. Taste for Quality

The Prudent Man rule gave trustees a flexibility and freedom that could easily have been abused. But in Boston there have been comparatively few cases of outright failure. There is no sure formula for success, but Boston's money managers stress the importance of experience and common sense in making an investment. Most of all, they emphasize "quality," which Chapman interprets as a "belief in the quality of an enterprise and in the quality of the people running it."

"That's what has paid off for New Englanders," he says. "They've had a taste for quality."

• **Parochial View**—It may have been fairly simple to distinguish between the quality investment and the questionable one when the nation was young and the number of investment outlets small. In fact, Bostonians like to tell the story about the trustee whose rule of thumb was never to invest in anything he couldn't watch from his office window.

This is an exaggeration, of course,



**Same HP
capacity
in far smaller
drive "package"**



New high capacity Gates V-Belt cuts drive space, weight and cost

Reduce size, cut costs! Gates new Super HC V-Belt puts power transmission in a smaller package—cuts costs all along the line!

Actually, this major advance in power transmission—a development of *specialized* research in the world's largest V-belt laboratories at Gates—makes possible the most compact, lightest-weight, lowest-cost multiple V-belt drive you can put on any machine. Sheave diameters can be reduced up to 50%, sheave widths 30% to 50%, center distances 20% and more.

Reduce drive cost as much as 20%

On new drives, the cost of a Gates Super HC V-Belt Drive is as much as 20% under the cost of present V-belt drives of the same hp capacity. Furthermore, smaller housings and bases—less materials, production time, shipping costs all reduce costs still further.

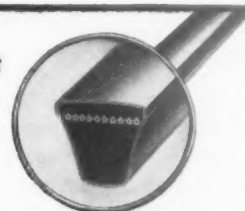
Learn more about the cost-saving Super HC Drive

"The Modern Way to Design Multiple V-Belt Drives" is an informative handbook on the Super HC Drive, avail-

able from your nearby Gates Distributor listed in the Yellow Pages under Belts or Belting.

The Super HC V-Belt

**transmits same HP in
much less space than
belts now in use**



Shown below are space savings of a typical installation:

	Drive R Sheave Diam.	Drive N Sheave Diam.	Center Distance	No. of Belts
Present Drive	7.4"	20.0"	42.9"	4
Super HC Drive	5.3"	14.0"	30.0"	3

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World's Largest Maker of V-Belts

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Gates Super HC V-Belt Drives

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The System that enables you to *attach* the control ticket *right on the product*, regardless of size, shape or surface...definite proof that PM "75" tickets are the *right* tickets for practical automatic reorder and inventory control.

Even though a PM "75" ticket becomes crumpled or partially mutilated through unusually rough handling—it can still be read automatically and accurately! This fact makes the KIMBALL PM "75" Integrated Data Processing System a new must with more and more progressive companies interested in reorder controls that really work.

You'll be amazed how little it costs to put this product of the scientific age in which we live to work for you. It fits right into your present tabulating machine or Data Processing installation. For the complete story send for your **FREE** copy of the Kimball "Automatic Reorder" folder **NOW!**

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but it emphasizes the Bostonian practice of investigating before investing. It also points up the conservative and provincial attitude that for a long time prevailed in State Street.

This is acknowledged by most of Boston's investment men. A great many estates still bear scars from staying put too long in New England's railroads and textile mills. Both had been enormously profitable and were close to home where they could be watched.

Edward Bigelow, chairman of Second Bank-State Street Trust Co. and head of its trust committee, remembers that "when I first came downtown to work, common stock in the New Haven was generally regarded as the best thing you could have."

And the sad tale is told of an old lady who recently died almost penniless in a one-room flat on Beacon Hill. Her father, when writing his will, had looked as far ahead as he could foresee and then directed that his estate should be invested only in dividend-paying New England railroad securities.

• **Plenty of Blue Chips**—But most of Boston's investment managers began to search for quality farther afield before the decline set in at home. There is a great deal of Boston money in American Telephone, General Electric, International Business Machines, du Pont, Eastman Kodak, Standard Oil of New Jersey, and other dark blue chips.

Most of these shares were purchased, moreover, at a fraction of their present prices, when their prospects were not nearly so assured.

Bostonians explain that their heavy commitment in blue chips is the result of their "feel" for quality as well as their preference for the long-run investment over the quick speculative gain. But the fact is that Bostonians have made a great many investments, and the blue chips are the ones that have survived; all the rest have either disappeared or have been weeded out.

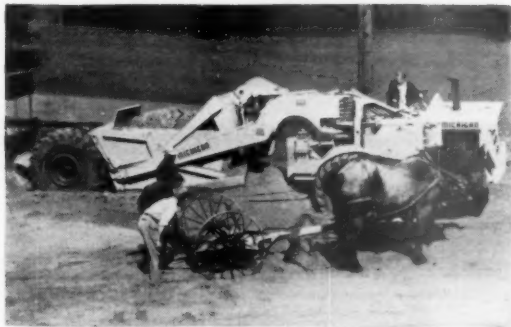
• **Occasionally Caught**—Inevitably, mistakes have been made. A large amount of Boston money, for instance, was sunk in Ivar Kreuger's match empire, which fell apart when the "Match King" committed suicide in 1932. Henry Lee Higginson, who at one time was so wealthy he personally made up all the deficits of the Boston Symphony, suffered heavily. So did the old-line banking firm of Lee, Higginson & Co., which had always been associated with gilt-edged underwriters until it acted as Kreuger's U.S. promoter; its partners and their families alone had \$8-million in Kreuger's worthless stock.

More recently, some of the most proper Bostonians speculated in an oil exploration venture called Texmass. "The list of people who went into Texmass reads like the vestry of the Arlington Street Church," says one who stayed

CLARK EQUIPMENT moves mountains ...

...of airplanes, the world over

Amsterdam or Anchorage—Tunis or Toledo—you're likely to see a scene like this in any airport. For around the world there are more CLARK tractors in plane-towing service than all other makes combined. This picture was taken in Amsterdam, Holland. The tractor *could* have been built in USA, but more likely came from one of Clark's 13 overseas plants.



... of earth, 200 cubic yards vs 2

What a difference 38 years can make. Back in 1921, this horse-drawn scraper, then the standard dirtmoving rig, helped carve this Michigan highway out of open fields. It moved 2 cubic yards of earth an hour. Today, a modern MICHIGAN Scraper is widening the same road. It excavates, hauls and spreads 200 cubic yards an hour.

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<p>GOODFORM</p>	<p>CHAIRS AND LOUNGE All-day comfort in contemporary design</p>	<p>FURNITURE</p>	
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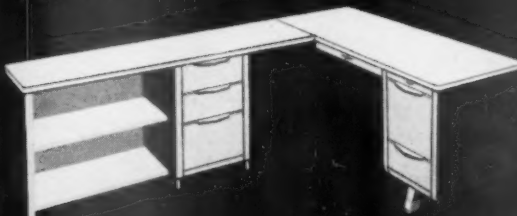
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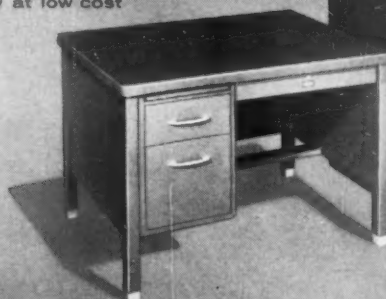
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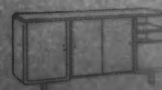


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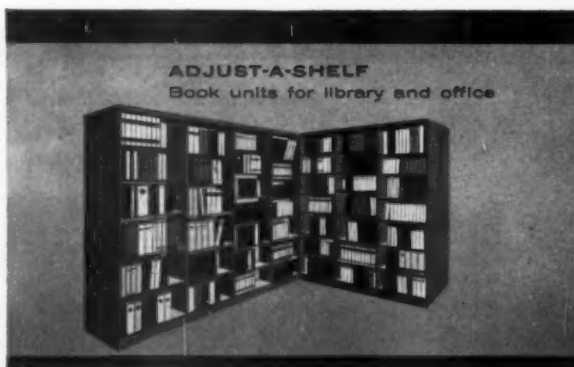
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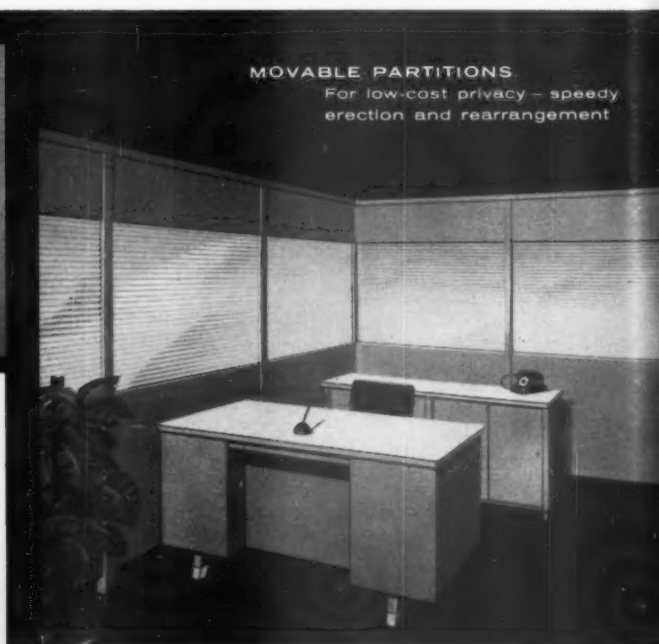
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out. Texmass returned no profits, though investors in the operation were able to reduce their losses because of the tax laws connected with oil-well drilling.

Paul Cabot admits he put some money into Texmass. And though it failed to pay off, he has since gone into sounder oil ventures that have done handsomely. As he sees it, the potential profits involved were far larger than the risks of a loss, especially after tax write-offs.

• **Safe Risks**—Despite the generally conservative nature of most prudent men, they admit that there is room for speculation.

"It all depends on whether an account can take a risk," says G. Peabody Gardner, one of Boston's best-known trustees. "For a person who doesn't have a large income it would be outrageous to buy one of the speculative electronic companies. But for someone who has, it's not only all right but it is being done all the time."

In general, though, State Street is in a much less speculative mood than Wall Street. This does not mean that Boston turns up its nose at common stocks. At a comparatively early stage, Boston's conservatives considered equity investment as an ideal medium for participating in growth and for conserving the capital in its portfolios. Even though they now have some misgivings, most are still sticking to this belief.

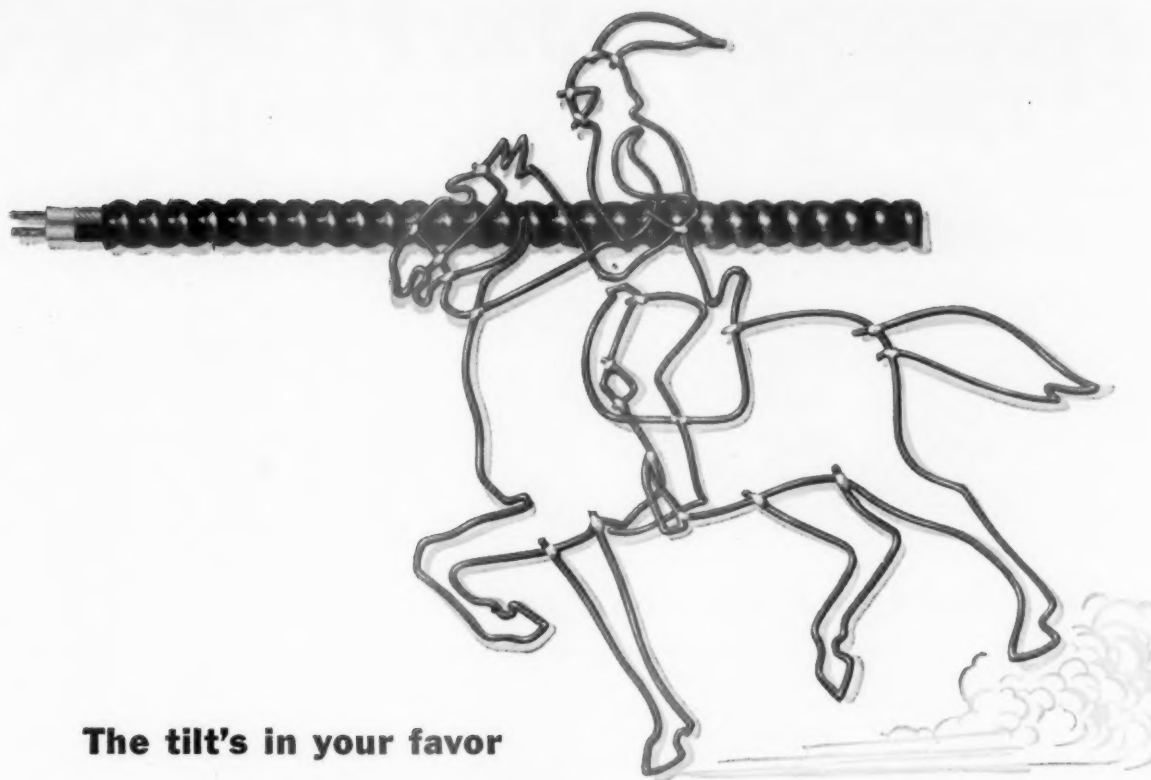
IV. The New Look

The real test for Boston's trustees came when the West developed and industry left New England. It was not easy for many Bostonians to sell their old investments and take on new ones. But the present value of Boston's portfolios is testimony that most portfolios were switched in time.

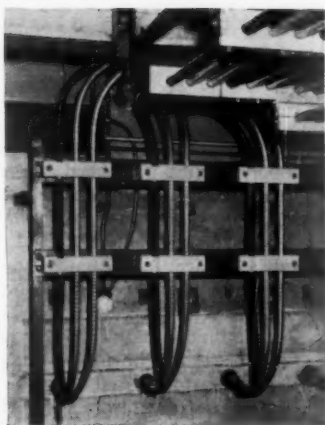
Even in today's "new look," Boston's investment policy is still based on the tradition that the prudent man will steer clear of the outright speculation or the enterprise that lacks good management. The emphasis is still on the seasoned company or one in an industry with a proven potential.

• **Sharing the Prudence**—There are exceptions, of course, but most trustees tend to follow the same policy. This stems from the mandate that trustees should observe what other men of prudence are doing. In public, proper Bostonians are extremely reticent about discussing their affairs, but this stricture does not apply when meeting with other prudent men in the privacy of office, home, or club.

The City Club is one favorite meeting spot where prudent men gather for a quiet lunch and conversation about investments. Gaining membership in the City Club is a drawn-out affair. Only a select few are chosen each year



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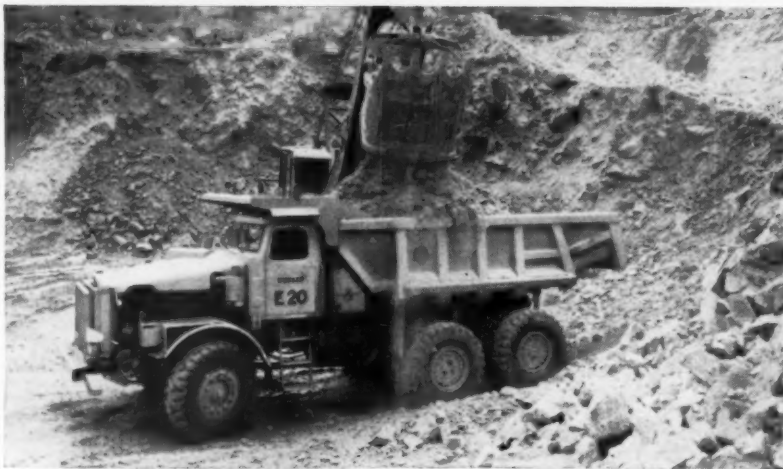
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Euclid's TC-12 Tractor, at left, is the world's most powerful...425 net hp... has separate engines and power trains for each track. The "Twin" Scraper, at right, also has two engines...all-wheel drive...carries heaped payload of 32 cu. yds. Each of these machines is a top performer in its class.



and, except for the summer months, when many of the older members are vacationing, the newly elect are not permitted entrance. Instead, they must wait until members retire or die before gaining admittance. (Before the City Club moved to its present modern quarters, the only entrance to the club was through the washroom.)

• **Personal Touch**—The new look in investment policy has not meant an abandonment of other old traditions. Most Boston trustees have an affinity for old clothes and battered office furniture and go to great pains to provide personal attention to their clients. F. Murray Forbes, Jr., of Welch & Forbes, insists:

"I hope this office never gets so big that our top brass stops knowing each and every client. Some of our clients like to keep at a distance and transact nothing but business. Others like to feel they are intimate. Some even call us up on weekends, just because they're lonely."

Perhaps the classic case of trustee solicitude for a client occurred some years back when Winfield Kendrick, an officer in what was then the State Street Trust Co., awoke one night with the realization that Boston was being hit by a blizzard. Remembering that the bank had recently surveyed the house of an elderly widow and had found that its beams were weak, he worried about the weight of snow on the roof.

Rather than crawling deeper under the blankets, he got out of bed, dressed, grabbed a shovel, and went out to do his duty by his client. Unfortunately, Kendrick attacked his task with such zeal that he broke the skylight on the adjoining house. The bank had to pay for the broken glass and snow damage in the house next door.

• **Meeting on Boards**—Boston's trustees also have a tradition of serving on charity boards, and a great deal of prestige attaches to serving Boston's universities, hospitals, and museums, which are among the world's finest.

Peabody Gardner, for instance, has a full schedule as a manager of his own money and that entrusted to him by others; he is also a director of GE and AT&T, and serves on the advisory committee of the Boston Fund. But he is also a vice-president of Boston's Children's Hospital and the Isabella Stewart Gardner Museum, president of the board of trustees of St. Mark's School, and a trustee at the Museum of Fine Arts.

The same holds true for Ralph Lowell, a former president of the Harvard Overseers, who is a trustee of several hospitals, and is a member of the corporations of MIT, Boston University, and Northeastern University. Paul Cabot has had to cut down on his



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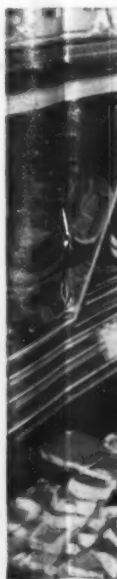


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Puerto Rican "Queens" photographed by Fritz Henle on the balcony of the Casa De España



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charitable activity since taking over the management of Harvard's fund, which is close to being a full-time job.

Working for charity is another way in which prudent men are brought together. In addition, those who gain a reputation as investment managers for charitable bodies are natural candidates for the boards of Boston's banks, trust companies, insurance firms, and mutual funds. According to Henry Vance, president of the Boston Fund, it is "only natural" that "old-school" Boston trustees are sought after by the city's mutual funds.

Vance explains: "Boston's trustees have had many years of experience managing large factories and private estates, and fund managements have a very high regard for the ability of these men."

This kind of close, almost ingrown, association among Boston's investment managers means that State Street is as much a slave to its own particular investment fashion as Wall Street. The difference is that Boston's prudent men are much slower to make decisions and, having arrived at them, reluctant to change.

V. Faith in Equities

While they move slowly, Boston's money managers show signs of shifting slightly from their heavy holdings of equities. State Street has long held the view that the problem of conserving capital cannot be met by investment in debt obligations alone—not with the economy subject to recurrent bouts of inflation. And State Street's prudent men turned to common stocks of quality to provide capital appreciation to keep pace with the slow erosion of the dollar.

• **Little Gibraltar**—This faith in equities is not universally regarded as a conservative investment policy, but to proper Bostonians any other course would entail even greater risks. Chapman of Merchants National relates that when Alfred Ripley headed the bank in the 1930s, its "lending policies were so conservative we were known as the 'Little Gibraltar.' Yet Mr. Ripley, who shaped those conservative lending policies, always put his own family trusts 75% in common stock."

Paul Cabot, for one, has brought about a major shift in Harvard's portfolio since taking over as treasurer in 1948. Then, only 30% of the total was in common stocks, the remainder in "debt obligations of one sort or another."

In the fiscal year ended last June, Harvard had almost 60% in commons. But now Cabot is selling common stocks, explaining that "as we cut back on stocks we have been putting money into short-term bonds—we want to be



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AND A MARINE MIDLAND BANK KNOWS THE AREA. With the completion of the St. Lawrence Seaway, businesses in the area around Rochester, New York, can ship goods directly to all parts of the world. Desirable plant sites and a stable labor force contribute to Rochester's favorable business climate. If you would like to learn more about this thriving area, write to Arthur M. R. Hughes, President, Genesee Valley Union Trust Company, Rochester, New York. He'll help you any way he can.

MARINE MIDLAND BANKS

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ready for whichever way the cat jumps."

• **Capital Gains Snag**—Cabot's feeling that the emphasis on common stocks may be going too far is one that is gaining acceptance among Boston's prudent men, who think that prices of most stocks are now too high and yields too low. Some trustees say that the only thing preventing them from selling is the capital gains tax, which, because of the paper profits some of their investments show, would be very large.

As one trustee points out: "The money in Boston is mostly in du Pont, IBM, and other quality issues. If you sell them now, it's in the expectation of buying them back later. But the price has to go down more than 30% to offset what you have to pay in federal and state taxes."

• **Sliding Yardstick**—Boston's banks and trust companies, which have a reputation as the most conservative of all those abiding by the Prudent Man rule, are currently engaged in selective selling.

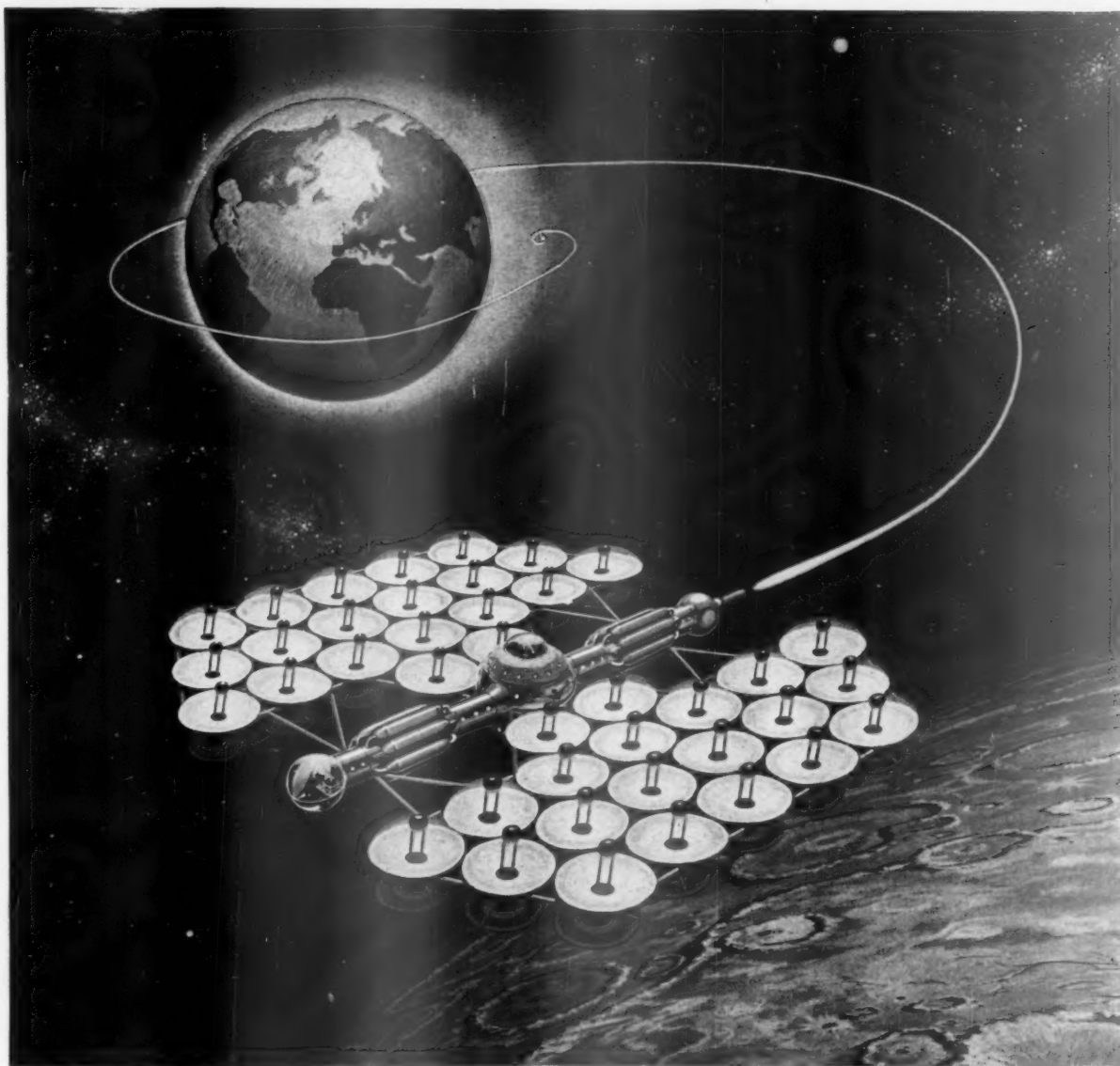
Robert Baldwin, senior vice-president of the Second Bank-State Street Trust, says "we would have considered it slightly imprudent to hold 70% of a trust in equities 10 years ago." But 70% is the current level for most outstanding accounts over which Second-State holds discretionary power, and Baldwin reports that because of market appreciation, it is a problem to hold accounts down to that level. New accounts are being limited to 40% to 50% in equities.

The Old Colony Trust Co., affiliate of Boston's First National Bank, is following much the same policy. Arthur L. Coburn, chairman of its trust committee, says that its common trust fund, which was started in 1955, "began at 50% in equities, was later allowed to grow to 65%, then cut back and maintained at 60%."

The Old Colony has made some of its clients irate by cutting back on stocks that continued to climb. Coburn points out, however, that many customers were also irate—temporarily—when their equities were cut back in 1929.

Private trustees are somewhat less conservative. Samuel H. Wolcott, partner in Loring Wolcott, a firm of private trustees, says that while a 70% equity position is standard operating procedure, some accounts "are now 80% in commons." He does not think new accounts should be at this level, but he still favors a strong equity position because he feels "money rates are going to get tighter and the bond market is going to continue soft."

• **Buying Business**—But as one trustee sums up: "We are not buying quotes in a newspaper. We are buying into business. We're hoping we will be so pleased with our investment that we will never want to sell out." **END**



STEPS IN THE RACE TO OUTER SPACE

Cosmic Butterfly

Spreading its wings to absorb the eternal flow of solar energy is the Cosmic Butterfly, a space vehicle of a type first conceived by Dr. Ernst Stuhlinger of Redstone Arsenal.

Each of the fifty-foot parabolic mirrors in the wings concentrates the Sun's rays on a boiler at its focal point. Steam is developed, which drives a 200-kw turbo-generator in the base. Cooled by frigid outer space in heat diffusers, the steam reverts to water and is pumped back to the boiler to be used over and over again.

The current thus generated drives the main propulsion unit, an ion rocket in which powerful electric fields accelerate charged particles, shooting them from the rear of the rocket exactly as the elec-

tron gun in your TV set bombards the screen. Sunlight, then, is the power source, whereas cesium is the propellant.

While the recoil thrust is relatively small, the weightless vehicle is operating in a vacuum and the push is enough to enable the Butterfly to reach interplanetary speeds. Unlike conventional rockets, the Butterfly is under power the entire trip. Half way to its destination it turns around, and the ion thrust is used to slow the craft down to arrival speeds.

Since its thrust is entirely inadequate to cope with the gravity of major planets, the Cosmic Butterfly never lands. It is

assembled in space and shuttles between artificial satellites.

The Cosmic Butterfly could carry ten passengers and 50 tons of cargo from an Earth satellite to a comparable one orbiting around Mars in about one year of continuous travel.

Inertial navigation systems will play an increasing role in the exploration of outer space. **ARMA**, now providing such systems for the Air Force ATLAS ICBM, will be in the vanguard of the race to outer space. **ARMA**... Garden City, N. Y. A Division of American Bosch Arma Corp.

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In Finance

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Special Tax Treatment Proposed For Small Business Investment Companies

Small Business Administrator Wendell B. Barnes is meeting with White House and Treasury officials on a new package of favorable tax proposals for small business investment companies. SBA hopes to have them ready soon for submission to Congress for action this session.

The new proposals are the result of a lengthy study made for SBA by tax consultant Leonard Silverstein, partly in answer to critics who sought additional tax concessions to make investment in SBICs more attractive. Silverstein said these were needed to provide "something more than the negative benefits" in the present law allowing for generous treatment of tax losses (BW-Mar.14'59,p47).

One of the most important of the new proposals would exempt from taxes 15% of interest received on SBIC loans to small companies. Another would allow an SBIC to set aside a certain portion of income in tax-free reserves. Other proposals call for permitting SBICs to declare capital-gains dividends subject to lower capital gain taxes, and for SBIC stockholders to figure payments received from the company as a return on investment instead of regular dividend income.

• • •

Fed Pushes Discount Rate Up To 1957's Tight Money Peak

Borrowing costs were nudged a bit higher this week in the wake of the Federal Reserve Board's approval of a rise in the discount rate from 3% to 3½%. At its new level, the discount rate—which is what member banks are charged for their borrowing from the Fed—equals the peak hit at the height of the tight money squeeze in 1957; it had dropped to 1½% during the recession.

The Fed's action came as no surprise, since the nation's commercial banks had increased their prime rate—the rate to their biggest and best customers on short-term borrowings—from 4% to 4½% just 10 days previously (BW-May23'59,p90). The increase in the discount rate acts to narrow the spread between bank rates and the central bank rate.

But while the Fed followed the banks this time, the action confirms its decision to tighten the credit supply. In fact, Fed officials say they do not intend to supply all the funds business wants to borrow. Instead, the money managers will hold down the amount in hopes of preventing excessive borrowing.

Thus, it's probable that money rates will go even higher than they are now; still another hike in the discount rate is a distinct possibility. The Fed could also hike the reserve requirements of commercial banks. But the Fed is on record for lower reserve requirements, and it resisted this move during the 1955-57 boom. It's

likely to steer the same course this time—unless the demand for credit appears to be getting out of hand.

In another move reflecting tighter credit conditions, the Federal National Mortgage Assn. lowered its purchase price by a full point on the mortgages it buys to support the secondary mortgage market. The new prices are scaled down from 99% to 97% of par for 5½% mortgages.

• • •

U.S.—Sole Bidder—Buys Liner Leilani, Which Defaulted on U.S.-Backed Mortgage

An ill-starred venture into the West Coast-Hawaii passenger trade came to an end this week when the liner Leilani was auctioned off in San Francisco for \$4,388,500 to the Federal Maritime Administration—the only bidder. It was a case of bureaucratic legerdemain since the government had seized the vessel because its owners, Hawaiian Textron, Inc., had defaulted on federally insured ship mortgages.

The Leilani is the second vessel to go into debtor's dock because its owners defaulted on government-backed mortgages. The first was the trailer ship Carib Queen, owned by T.M.T. Trailer Ferry, Inc. The U.S. paid \$3.4-million to the Prudential Insurance Co. in April, 1958, on T.M.T.'s default—it still hasn't been able to peddle the ship to anyone.

On the Leilani, which ran afoul of competition in its venture into the Hawaiian passenger business, the U.S. already was in the hole \$4.9-million. It paid \$2.4-million to the Bowery Savings Bank on a second mortgage, and FMA holds a \$2.6-million balance on a first mortgage.

Institutional investors say the Leilani's default adds to their growing unease about investment in the merchant marine field, despite the fact that under a 1956 amendment to Title XI of the Merchant Marine Act the government provides 100% insurance on ship mortgages.

• • •

'Small Hotel' May Be Romantic, But It's Not Very Profitable

The "small hotel," whose romantic virtues were extolled in a Rodgers and Hart musical, had a rough time during the recession year of 1958, according to Horwath & Horwath, leading hotel accounting firm.

In its 27th annual review of hotel operations, the accountants point out that hotel profits last year dropped to their lowest level since 1941. The hardest hit were transient hotels with fewer than 500 rooms. These hotels have been facing stiff competition from motels, losing business because of changing travel patterns.

Over-all, net return after taxes for all hotels last year was only 4.69% of the fair value of the properties. This is a continuation of the steady decline from the peak year of 1944, when return on investment was 8.22%.

An interesting sidelight on 1958's hotel operations, notes Horwath & Horwath, is a rise in the "accounts receivable" on hotel balance sheets, largely because of increasing use of credit cards by traveling businessmen.

Steel Talks Hit a New Low Point

● Negotiations move from exploratory stage to final three-week period of hard bargaining before strike deadline.

● With neither side willing to make concessions, the situation facing negotiators is described as "worst ever."

● USW charges the industry is not bargaining in good faith and the union reportedly is considering a partial strike.

Steel management and labor reached the midpoint of 1959 contract bargaining last weekend with no apparent progress toward a settlement. The exploratory talks are over. Now, the meaningful negotiations are under way—the bargaining that must result in a meeting of minds within three weeks from today if a steel stoppage is to be avoided.

• **Deadline**—Basic steel contracts expire at midnight June 30. Technically, that is the deadline for a settlement. However, shutting down mills safely involves much more than merely throwing a switch and blowing a quit whistle. Steelmaking must begin tapering off June 27 if no agreement is reached by then. That sets a practical deadline.

Meeting it will be difficult. Earlier hopes that a strike can be avoided are fading fast. The way the industry and union are placing their positions before the public is a good indication of that; both sides are campaigning hard for public support in a strike.

But bargaining is going on, although not very optimistically. Negotiators for the industry and the United Steelworkers resumed talks in a hotel suite in midtown New York on Tuesday after a six-day recess over the Memorial Day weekend. They maintained a semblance of amicability. Nevertheless, relations between four-man committees bargaining for the industry and the union are severely strained.

• **"Discouragement"**—Early this week, one steel company official described the situation confronting the industry and union negotiators as "the worst ever—for this stage of bargaining."

Relations are more strained than they have ever been this early in contract talks, he said glumly. There is little on a bright side.

He admitted that his "discouragement" stemmed in part from a return to a long, hard grind in New York after a long weekend at home. Many on the fringe of steel bargaining already have been putting in extra hours; now the prospect "to the wire" is for even longer stretches.

Even if the "discouragement" did have an after-holiday basis, there is more—much more—behind it. The Memorial

Day recess could hardly have come at a more appropriate time. It may have prevented—or staved off—an open break.

• **Disputes**—For a week or more, the parties had been in dispute behind scenes, with indications of their disagreements given some public viewing.

Last midweek, USW's Pres. David J. McDonald spoke with some irritation in Washington about the industry's "minus zero" offer, a reference to the industry's firm "hold the line in '59" bargaining position.

The companies' negotiators are "encircled by that zero" to the point where the union is giving serious consideration to filing refusal-to-bargain charges with the National Labor Relations Board, McDonald said. He charged that the industry's negotiators have "absolutely refused to bargain in good faith" on the union's "fair and reasonable" demands for "improvements in wages, hours, and working conditions."

The McDonald charge is against the industry's apparent determination to stand pat against any new concessions to the United Steelworkers.

The union at first hoped that the companies' talk of a "freeze" in 1959 was only a bit of window-dressing, that something specific in the way of gains would be offered in the early stages of contract talks. Now, it's convinced that the industry is really primed for a fight against even a token raise.

• **Partial Strike?**—McDonald's "refusal to bargain" protest came after the steel talks recessed, with the parties already at odds. According to well-founded reports, McDonald suggested to the industry that—despite tradition and past policy—the union might not strike all companies at the end of June; it might shift to a new strategy of striking some mills, letting others operate.

The companies already had taken into consideration the possibility that this might happen. A mutual aid pact is aimed at combating divide-and-conquer tactics by the union (BW—May 16 '59, p.26). Nevertheless, the industry continues to be concerned over the possibility of a partial strike.

The operation of some companies while others are shut down would put

a squeeze on the struck companies—the industry's MAP (mutual aid pact) notwithstanding. On the other hand, if all mills should shut down if only a few are struck, the industry would face certain "lockout" charges before NLRB, could also be subject to expensive unemployment compensation costs.

Aware of the possibilities, USW's general counsel, Arthur J. Goldberg, has asked the Justice Dept. to keep an eye on the industry's MAP as "a conspiracy to violate the antitrust laws," and has alerted NLRB's general counsel to watch out for a lockout of employees.

Both have promised "appropriate attention" to any definite charges.

The industry countered McDonald's suggestion of a partial walkout in the industry with a warning that if no contract is negotiated by the deadline "sweeping changes" in terms will be sought by the industry.

• **Or Extension?**—Meanwhile, talk of a possible extension of steel contracts continued to be heard in steel labor circles. Similar talk was heard in 1956, and it got nowhere; the union struck on the deadline.

Similar difficulties would be in the way of an extension this year.

Three years ago, McDonald offered to extend steel contracts indefinitely—provided the industry would agree to make settlement terms retroactive to the expiration of the existing contract. The industry refused to do this. It took the position that any extension—with guaranteed retroactivity—would let the union continue bargaining with no pressure for a settlement; it would be a one-sided deal. The industry's thinking hasn't changed on this.

• **No Vacation Pay**—While McDonald talked tough in Washington last week, industry spokesmen were being equally blunt against the union in appearances in New York before meetings of the American Iron & Steel Institute.

However, the talk caused less stir in USW ranks than an announcement from Republic Steel that slammed the door on one source of income steelworkers had expected to have in case of a strike. Republic advised its employees that they would not be permitted to use strike time as their paid vacation.

In the past, workers have been able to take their paid vacations during walk-outs, using the vacation pay as a strike cushion. According to a local union leader, Republic notified the union that it won't "finance a strike" by a lenient policy on vacation benefits.

"What could you expect?" the local unionist said. "This is a fight."

Other steel companies are expected to adopt a similar policy. **END**



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Some facts and fallacies about HEART ATTACKS

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- ☒ After recovery, most coronary patients can go back to their work.

TRUE—Recent studies show that the patient who has made a good recovery is not handicapped when he works under proper conditions. Placed in a job which does not unduly tax his heart, and given proper medical supervision, he can engage in daily work without harm. Indeed, most doctors encourage their patients to return to work.

- ☒ Heart attacks are brought on by strenuous physical activity.

FALSE—Most heart specialists now believe that physical exertion has little, if anything, to do with a coronary attack. In fact, attacks often occur during sleep or rest.

Many factors—including age, sex, occupation and diet—are believed to play a part in the development of coronary disease.

- ☒ Recovered coronary patients should keep their weight down.

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- ☒ A person who has had one heart attack will certainly have another.

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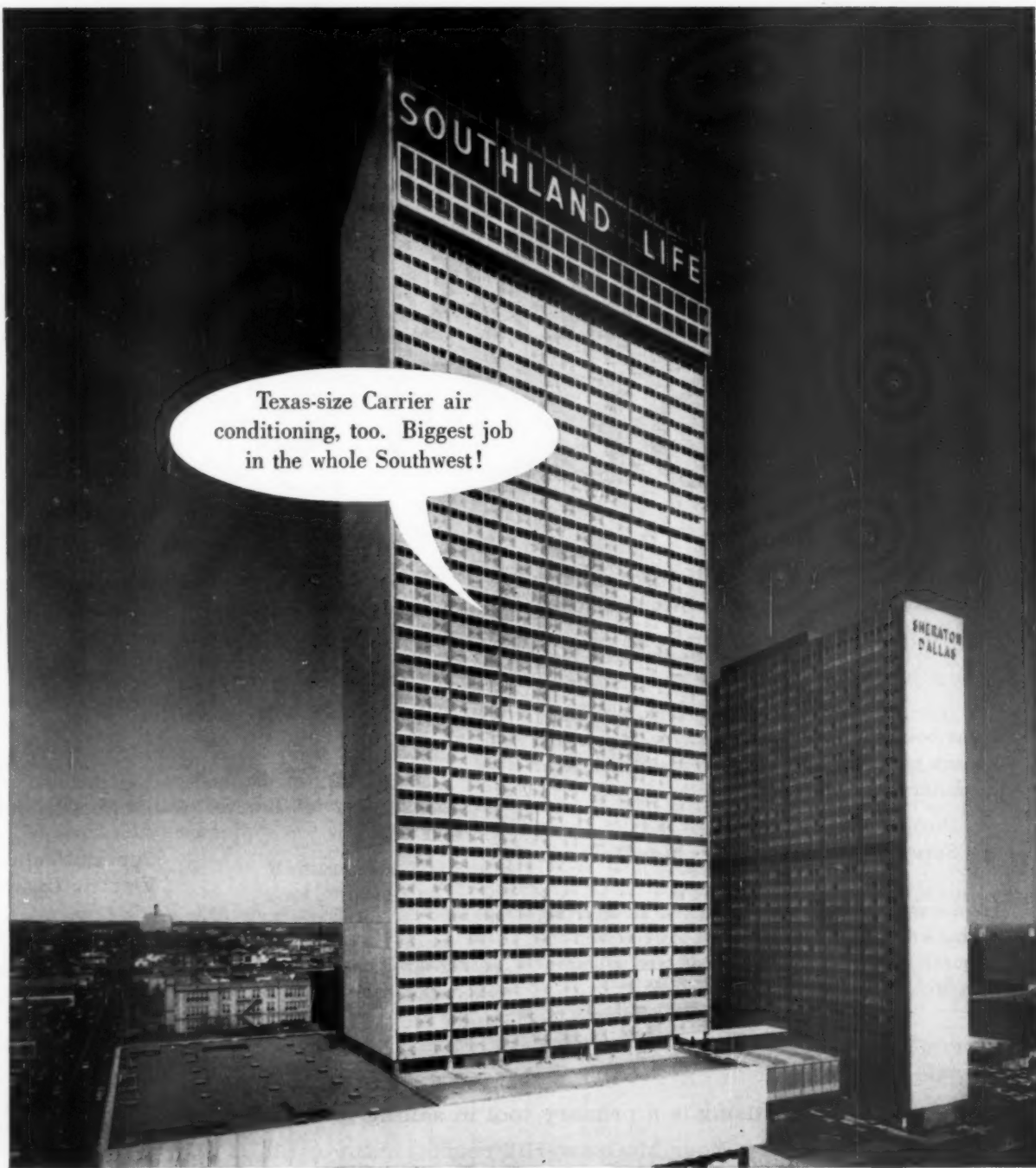
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EVERYWHERE

Why Workers Hate to Change Jobs

● Many would rather be idle than move to another employer, losing their seniority and pension rights.

● Economists worry about the effect of this feeling on the mobility of the labor force. But the basic cause seems to be the lack of young workers—the kind who can afford to change jobs frequently.

● This lack may be remedied in the next few years as the war babies come of age.

Sarah Williams is a laid-off auto worker with 13 years' seniority. If the auto industry prospers, she may be called back to her \$2.40-an-hour job of running a sewing machine in the upholstery department at the Dodge plant in Detroit.

While she's waiting to be called back, she isn't trying to get a permanent job elsewhere. And temporary work is almost nonexistent. So she remains unemployed.

Sarah Williams is a living example of the immobility that seniority rights are building into the labor force. If it were not for the equity she has built up in 13 years at the Dodge plant, she could get a full-time job tomorrow in the garment industry, where skilled operators are at a premium.

As it is, she doesn't want to lose her pension rights and other benefits, particularly not for lower pay than she was getting—and even if she did, employers in the garment trade would think twice about hiring a woman who would quit as soon as Dodge recalled her.

• **Vested Interest**—There are many workers who have the same problem as Sarah Williams.

"Employees try to ride out layoffs and come back," says an executive of an auto company. "There's less tendency to have a 'float' in the labor market after employees have built up equity in various benefit plans."

Seniority itself is not one of these benefits, but it is closely related to the package of rights that make up the employee's equity: supplementary unemployment benefits, pensions, holidays, paid vacations, health plans. The more seniority a worker has, the greater this equity and the greater his reluctance to change jobs. And this reluctance extends to workers who are nearing the point of gaining greater equity in these benefits.

This tends to leave only the youngest workers with any great freedom to change jobs without sacrifice of equity under seniority rights. And there are

fewer of the youngest generation of workers, because of the low birth rate of the Depression years.

I. Employer's Attitude

The big factor is pension rights; most other benefits are so widespread that they have little effect on a worker's willingness to move from one job to another. They work two ways. They govern an employer's hiring policies about as much as they tend to freeze workers on their high-seniority jobs.

This shows up particularly in a key management decision: Do we hire more people or do we pay overtime to the present work force? The costs of "fringe" benefits are no longer marginal costs, from the employer's viewpoint, and management often decides it's cheaper to pay overtime at premium rates than to hire additional workers for what may be a short time.

• **Not Marginal Costs**—According to the U.S. Chamber of Commerce, the costs of labor benefits, having doubled in 12 years, now average 22% of payroll.

A national food concern estimates its over-all costs for the so-called fringe benefits at 78¢ an hour for each employee. It figures retirement plans, social security, unemployment benefits, and workmen's compensation at 23.6¢ an hour; military leave, holidays, vacations, premiums, lunch and rest periods, and shift differentials at 54.4¢ an hour.

A farm equipment manufacturer estimates employee benefits at slightly more than 50¢ an hour. The American Iron & Steel Institute cites 70¢ an hour for such benefits in the steel industry, and the auto industry calculates 62¢ an hour. These costs depend more on the number of men at work than on the number of payroll hours. So up to a point it may cost no more to pay premium rates for overtime work than to add new people with a corresponding increase in fringe costs.

In weighing overtime against new hirings, management must also consider other costs that are hard to pin down, such as retraining of new people and the cost of additional foremen for the new work crews.

• **A Black Eye**—For two other reasons, too, employers often elect to work people overtime, regardless of out-of-pocket costs, rather than hire new workers who may have to be laid off in a few months.

One reason is the touchy question of public relations. Layoffs give an employer a black eye among the company's total work force, in the plant's community, even in the financial world. "The bad publicity just isn't worth it," an auto executive says.

The other reason is the measurable effect on the company's rates for unemployment benefits. To hire a man and then lay him off after six months will hurt the employer's rated experience, which determines the premiums or taxes for these benefits. A bad employment experience rating in Michigan, for example, can cost the employer up to 4.5% of taxable payroll, or up to 12¢ an hour.

II. Holddown on Mobility

The ability and inclination of workers to move from job to job has been one of the great strengths of the American economy. Generations of historians have cited this factor as a major force in keeping the economy flexible and dynamic, nourishing the development of new frontier regions and new industries. That's why so many economists today are worrying about evidence that workers are less willing to move.

Most observers agree that the decline in mobility of labor is real and serious. They point to figures that the Bureau of Labor Statistics keeps on the number of "quits" in industry. Allowing for business ups and downs, this quit rate shows an apparent long-term tapering. In a report to the Fund for the Republic entitled *Pension Funds and Economic Freedom*, Robert Tilove says: "The conclusion seems inescapable that most private pension plans . . . exercise a restraining influence on labor mobility."

• **The Restless Young**—Part of the change, however, must be attributed not to pensions but to a shrinkage in the number of the younger workers—the most mobile group, still searching for a permanent niche and not yet tied economically to any employer.

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year. Arthur M. Ross, a University of California economist, mentions a 1949 study of manual workers in New Haven, mostly nonunion labor. This survey found that 71% of the voluntary changers of jobs had less than three years' service, 80% less than five years, 94% less than 10 years.

It's an assumption among most experts that the lowest seniority is among the younger workers. That group is shrinking as a proportion of the total labor force. In 1940, the civilian labor force had 14.5% in the 20-24 age group; in 1956, only 8.8%. In 1940, the group between 45 and 64 years old made up 27.2% of the total; in 1956, a full 33%.

• **Problems in Manufacturing**—The percentage shift has probably been even higher in manufacturing, which has more problems than employers as a whole must face. The actual number of production workers in manufacturing has not increased since 1951, while employment has boomed in wholesale and retail trades, finance, insurance, and government.

For one thing, manufacturing seems less attractive to the young, although its wage rates are high enough to hold onto the older workers. Mechanization has eliminated many jobs where a beginner might have gotten his start a generation ago.

Thus, manufacturing is more and more isolated from the rest of the labor market, in contrast to its former role as a vast pool with workers coming in and going out. With today's specialized technology, it is harder, for example, for a farm boy to become a machine operator, then to move out into retailing or banking.

III. More Mobility Ahead?

At any time, in any economy, some people should be shifting from job to job. If manpower should become inflexible and immobile, the U.S. would be confronted with a serious economic problem.

Some people think this problem is developing right now, but others see signs of a change. The current trend toward immobility contains the seeds of its own counter-trend, some experts say.

• **Pension Influence**—For example, pension plans now act as a drag on job-changing, but they may prove eventually to have an equal and opposite effect.

Gerry E. Morse, industrial relations vice-president for Minneapolis-Honeywell Regulator Co., notes that a 10-year minimum for pension eligibility allows companies to hire over-age men (retired policemen as guards, for instance) without adding to pension costs.

Moreover, says Robert Tilove, "if a worker knows that pension plans—from

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the new job and perhaps from the old one as well—will still give him security in his years of retirement, he can feel a little freer to apply his personal savings to the risks of changing jobs."

"Money in the bank is an element of freedom," says Tilove. "And the ultimate right to a pension may offer some of the liberating influence of liquid assets."

Tilove adds that the vesting of pension rights (giving the worker an equity that he can take with him upon leaving a company) will also enlarge mobility, though fully vested plans will doubtless remain a rarity as far as blue-collar workers are concerned.

• **Early Retirement**—More important to the mobility of the labor force, says Tilove, is the prospect that pensions can free workers from physically demanding jobs at an age early enough to let people take lighter jobs afterward.

Tilove cites the pension plan of United Parcel Service of New York, Inc., which has enabled some men in the 55 to 64 age bracket to retire. A high proportion of these men have gone into less demanding jobs, such as clerk, timekeeper, school bus driver, bank guard, messenger, dispatcher, and butter and eggs salesman.

This sort of development, Tilove points out, "may in time make a major contribution to labor mobility, to an extension of the working life, and therefore to national production."

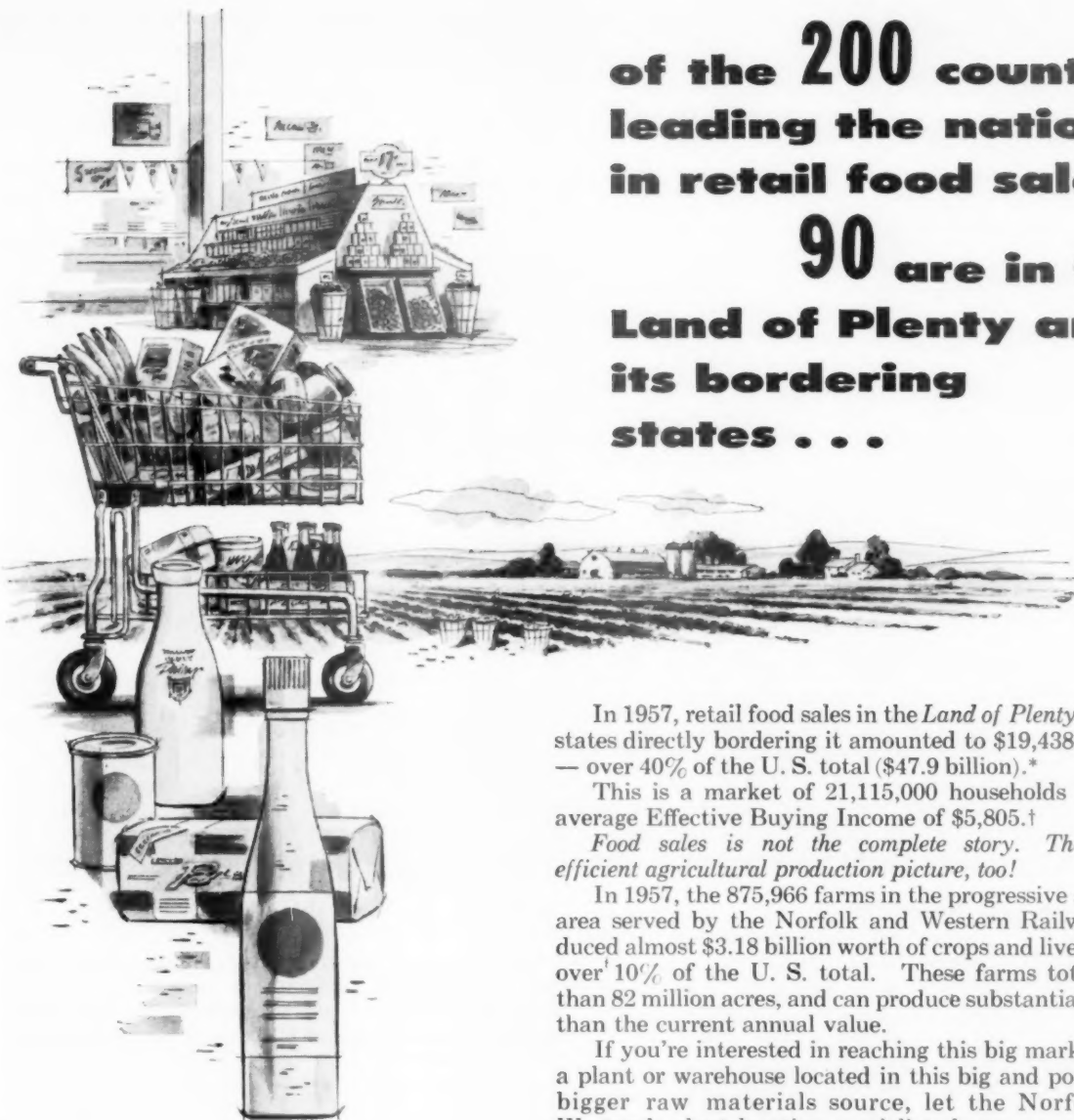
Mobility within a given industry is already being aided by negotiation of industrywide pensions and by reciprocity between pension funds. A New York truck driver, for example, can switch to coverage in a New Jersey pension fund without sacrificing any retirement benefits, and a ship's officer can move from an East Coast to a West Coast company under similar terms.

IV. Turning Point

In any case, the economists' worries about labor mobility will almost certainly end in the next half-dozen years.

The U. S. has reached a turning point in the composition of its labor force. The proportion of young people has in all probability hit bottom. The "hollow generation" born in the Depression years is already at work, and the input of young workers will increase rapidly as the wartime children come of age.

Entrance of large numbers of young people into the labor market is bound to boost the quit rate. Young people jump from job to job, exploring the possibilities open to them, with little regard for the fringe benefits they aren't yet entitled to. And their search for the "right" job can be expected to restore normal mobility to the labor force as a whole. **END**



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In Labor

. . .

Shoe Workers Union Takes Wry Note Of What Teamsters Aid Can Accomplish

The 40,000-member Boot & Shoe Workers has suggested, though not happily, that "small unions might find it advantageous to move into a junior partnership with Teamsters power." The AFL-CIO union says "the Teamsters speak the language of power and effectiveness" that small unions have "never been able to master."

The union's Journal cites the case of a New England manufacturer who first rejected union demands and then accepted them, quickly and fully, after a leaflet distribution at his plant gate by the Teamsters. "Fear, not of the shoe worker union but of the Teamsters, had won," comments the Journal wryly.

The union reports that Teamsters organizers are active in Massachusetts, Maine, Missouri, and Ohio shoe centers, making inroads because of shoe union's weaknesses among the country's 100,000 unorganized shoe workers.

"It is a pretty sad commentary on the shoe industry that through fear of the Teamsters, shoe workers seem about to win more benefits from their industry than 65 years of the decency, dignity, and respectability of the Boot & Shoe Workers' Union have ever won for them," the Journal comments.

. . .

Philadelphia's Dock Priest Steps Down as Arbitrator

Father Dennis J. Comey, S. J., Philadelphia's nationally known dock priest (BW—Jun. 6 '53, p158), this week stepped out as waterfront arbitrator after eight effective years as a labor-management peacemaker.

The Jesuit priest, in a letter to shipping interests, explained that his rulings have established precedent and principle for almost every clause in the dock workers' contracts, so his services are no longer needed.

He added a cautioning word: The situation has got to the point where "both sides are now trying to get through arbitration what should be negotiated in their contract."

. . .

Techniques to Prevent Labor Trouble Devised by Toledo Labor-Management Group

Toledo's Labor-Management Citizens Committee this week moved into the area of preventive mediation. The group, which pioneered in 1945 in setting up a citizens' labor relations committee in a major city, seeks to use "diagnosis" in working out remedies before strikes.

The LMCC is compiling a roster of technicians in many fields whose services will be made available—gratis, it hopes—to take up any special problems arising in a labor-management dispute.

Basic idea of the plan, according to Jerome Gross, executive director of LMCC, is to enable the LMCC to get into potential trouble spots before a strike occurs. The preventive program is based on these key points:

- Any company or union facing mutual problems will be encouraged to discuss the matter with the LMCC or any of its members.

- If a dispute seems to be heading for a strike, the LMCC will appoint a special panel to go into all facets of the problem in dispute.

- To handle special areas—time study, accounting, job standards, production rates, pension programs, engineering problems—the LMCC will call on experts from its roster of technicians. These experts will make a study and report back to the LMCC panel.

. . .

Rail Union to Seek Pay Hike; UPW Aims to Cut Loss of Jobs

Demands to be made by unions in two industries later this year took firmer shape in Chicago last week.

The Brotherhood of Locomotive Firemen & Enginemen announced plans to ask 300 railroads for a boost in the firemen's average \$20 a day basic pay. The demand will be sent to the carriers June 15.

The United Packinghouse Workers said that it will ask for "protection against loss of jobs"—probably through a shorter work week—when its negotiations open in July. The union says 15,000 jobs have been lost in five years due to mechanization.

Meanwhile, it looks as if bargaining cooperation between the UPW and the Amalgamated Meat Cutters & Butcher Workmen (BW—May 23 '59, p155) is off for this year. A House investigating committee recently heard charges of leftwing influences in UPW. Afterward, Amalgamated officers announced that they had decided against coordination, would bargain "as though most of the leadership of UPW were not in existence."

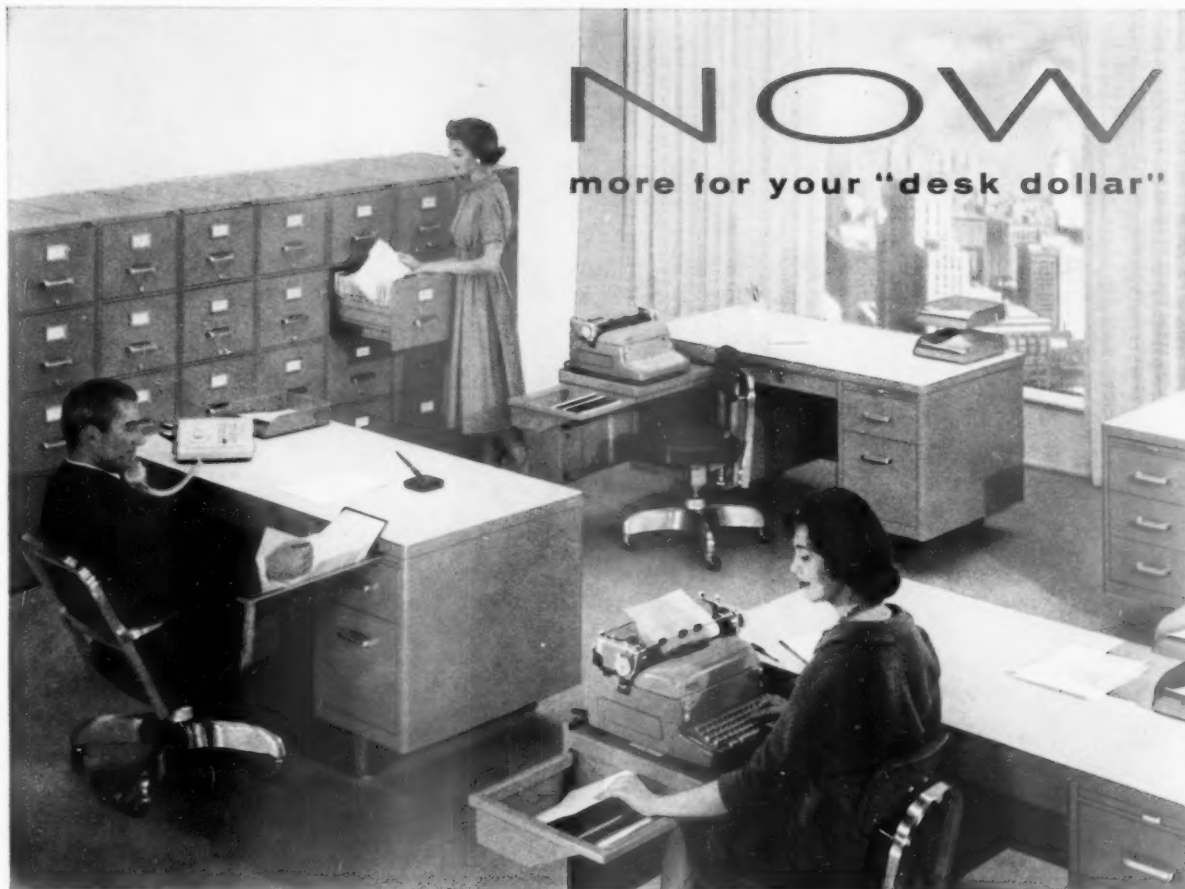
. . .

Labor Briefs

Two rival insurance agents' unions merged at a joint convention in Chicago last week, to create a new 35,000-member union. The two were established in organizing rivalry 22 years ago—the 23,000 member Insurance Agents' International Union in the old AFL, the 12,000 member Insurance Workers of America in CIO.

Milwaukee brewery workers—at Pabst, Schlitz, and Miller—have OK'd a two-year contract with a 10¢-an-hour pay hike effective this week, another 10¢ next year. Workers in two smaller breweries will get a dime now but only 5¢ in 1960 unless their companies show a 10% gain in sales.

The Industrial Rayon Corp. and the Textile Workers Union of America this week signed a three-year contract for two plants in Ohio, one in Virginia. Workers will get a 5% wage increase retroactive to April 20; another 2½% in June, 1960; and 2½% in June, 1961.



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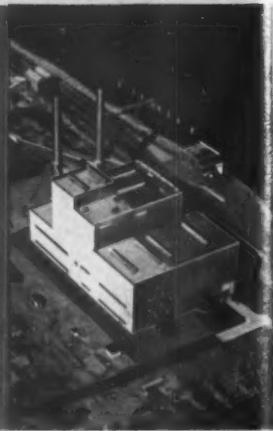
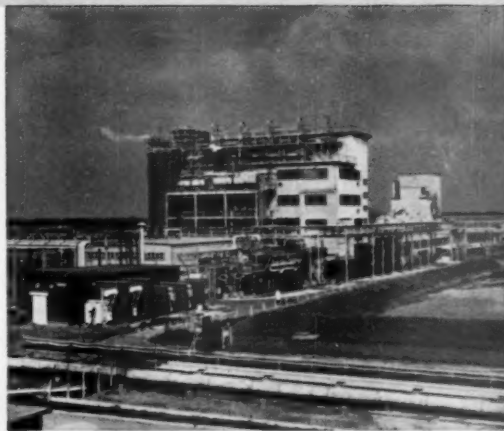
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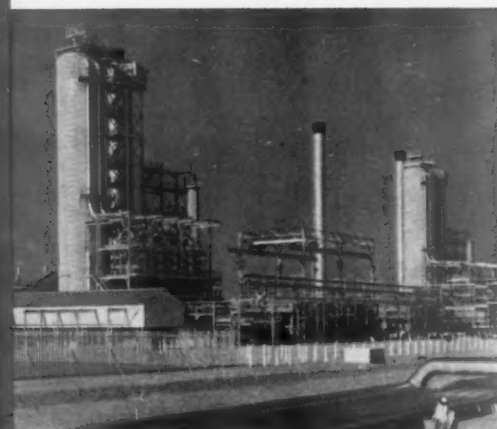
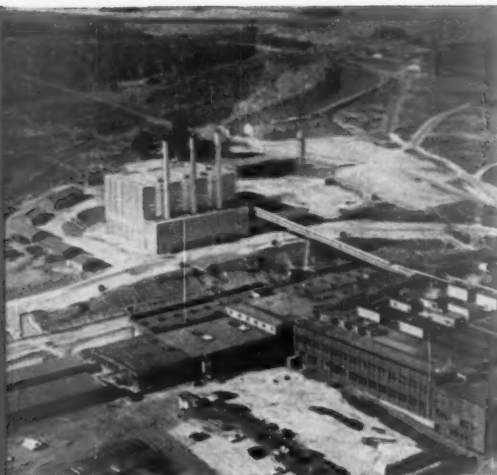
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the addition of the word **CHEMICAL**
spells out our broader base of operation

We've changed our corporate name to reflect properly the results of our activities in chemicals and chemical products—which now constitute about one-third of our current business!

Our policy of selective research and product development, which was accelerated by the military packaging demands of World War II, has made 'NATIONAL' one of the leading producers of vinyl acetate polymers and copolymers in emulsion form for packaging adhesives, coatings, textiles, paper-making, woodworking, architectural laminations and paints.

The prominence of the word 'STARCH' in our new corporate name confirms our substantial and continued interest in the future of starches, starch specialties and adhesives—which constitute the major portion of our business!

The addition of the word 'CHEMICAL' in our new corporate name reflects not only our increased interest in chemicals and chemical products . . . but also the important part that chemistry has played in the selective research and development of new starch derivatives.

In Management

. . .

Outsider Takes Over Seabrook Farms After Stalemate in Family Battle

A family fight has resulted in a change of management—and control—at Seabrook Farms Co., producers of frozen vegetables.

In 1954 Charles F. Seabrook, chairman and holder of 98% of the common stock (representing 68% of the voting securities), put his stock in a voting trust in order to get a bank loan. Seabrook, his son John, and B. F. Sawin, president of Philadelphia's Provident Traders Bank & Trust Co., became trustees; John Seabrook was made president, and, a year later, chief executive officer.

Since then the company has bought other frozen food producers and introduced new items under its own name, gone from a \$1.7-million loss in 1955 to a \$713,000 profit in the year ended February, 1959. But the older Seabrook has been dissatisfied with the company's management, which also includes two other sons of his. Since Sawin has supported management, Charles Seabrook has been trying to dissolve the voting trust. Meanwhile, his family has tried to have him declared incompetent. Three months ago one of his sons placed him in a mental institution, from which he won release a month later.

But the syndicate of banks holding the \$2.5-million loan has supported management, refusing to renew the loan without the trust.

Now Seeman Bros., Inc., New York food distributing organization, has entered the picture. It has arranged financing to pay off the loan, dissolve the trust, and buy the older Seabrook's stock, reportedly for about \$500,000 cash and a \$2.5-million one-year note. Samuel Winokur, a Seeman vice-president, has been elected president, and the three Seabrook brothers have resigned.

. . .

Injunction and Hand-Delivered Letter Add to Complexities of H. L. Green Co.

A hand-delivered letter and a court injunction last week further complicated the tangled affairs of H. L. Green Co., the variety store chain that is stuck with an asset deficiency of some \$4-million as a result of its merger with Olen Co. (BW—May 16 '59, p. 128).

In the letter, Max H. Gluck, president of Darling Stores Corp., a women's ready-to-wear chain, offered to buy \$4-million in Green common stock "at fair market value to be determined definitively by mutual agreement" and to "enter into an arrangement to become a member of the executive committee and of the board of directors of the company (without any compensation)." He insisted that the offer was "entirely personal" and that he didn't contemplate any merger between Green and Darling. Gluck made his offer by letter because "nothing came of" efforts to arrange a meeting with Green offi-

MORE NEWS ABOUT MANAGEMENT ON:

- P. 94—Rx for a sick Canadian industrial giant: Go after Canadian markets.

cials. Green said it would be discussed at the next board meeting.

The injunction, requested by Industrial Development, Inc., a company formerly owned by ex-Green-Pres. Maurice Olen, forced adjournment of Green's annual meeting until June 17. Green's counsel said a proxy fight was shaping up (Industrial Development says it holds about 9% of Green's outstanding stock), but the holding company denied it.

. . .

Another Arrow in CIBA's Quiver; This Time It's Closed-Circuit TV

CIBA, the international drug, dye, and plastics company, has entered another business. It will conduct closed-circuit telecasts, with emphasis on business meetings.

The object is to develop a market for the Eidophor TV projector, developed in Switzerland with CIBA's assistance and brought to this country by CIBA last year. Telecasts will be handled by a newly formed wholly owned subsidiary, Eidophor, Inc. The unit's first customer: CIBA, which has scheduled four presentations to medical groups.

President of the subsidiary is Roderic L. O'Connor, a former Assistant Secretary of State who this year became vice-president and counsel of CIBA States Ltd., which heads CIBA's U.S. operations.

. . .

Tests May Help Determine If Executive Should Stay On After Retirement Age

Progress toward the development of objective measurements to determine when an executive should retire is claimed by Dr. Ward C. Halstead, head of the University of Chicago's Dept. of Medical Psychology, and Pat Walker Merriman, his staff assistant.

Personnel men concede that many executives are capable of working effectively beyond the normal retirement age. However, they argue, the difficulty of deciding who should stay on makes this waste inevitable.

Now Halstead and Merriman think they may have the answer. In the course of 23 years of research on brain functions, they have come up with a group of tests that measure an executive's functioning in four phases: the accuracy with which he registers facts; his retention of data; his capacity to draw valid conclusion from the data; and his power drive.

In a recent study, the test scores of 105 executives were compared with ratings of their performance provided by their company presidents. The two groups of evaluations agreed precisely in 70 cases, disagreed sharply in only nine cases.



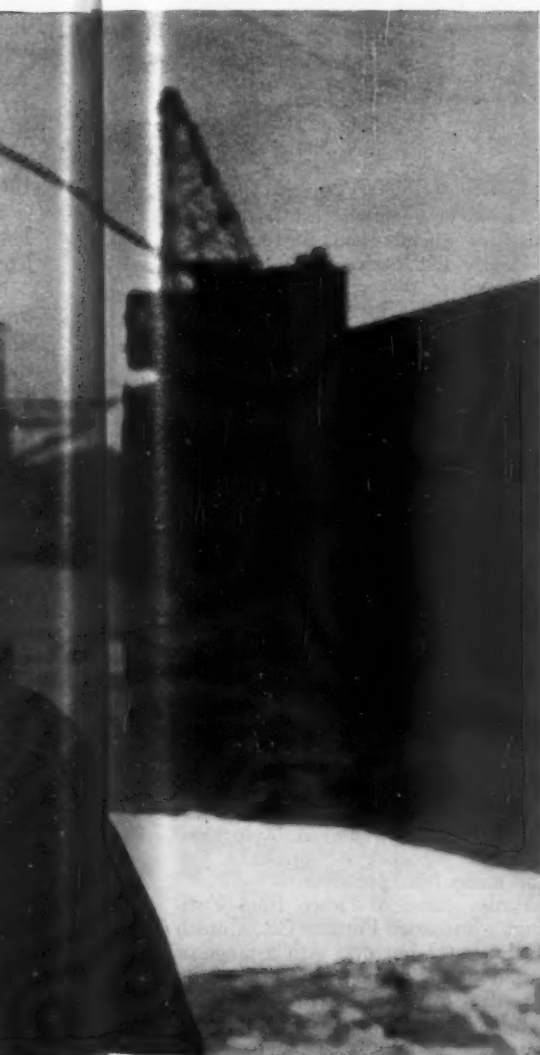
STEEL MILL in Sydney, N. S., handy for exports but remote from Canada's industrial heart, will be joined by plant near Montreal.

Dosco's New Chief Tries to Crash





More Markets at Home



With his company's traditional overseas outlets for coal and steel eroding, Albert Fairley (left) is seeking home business.

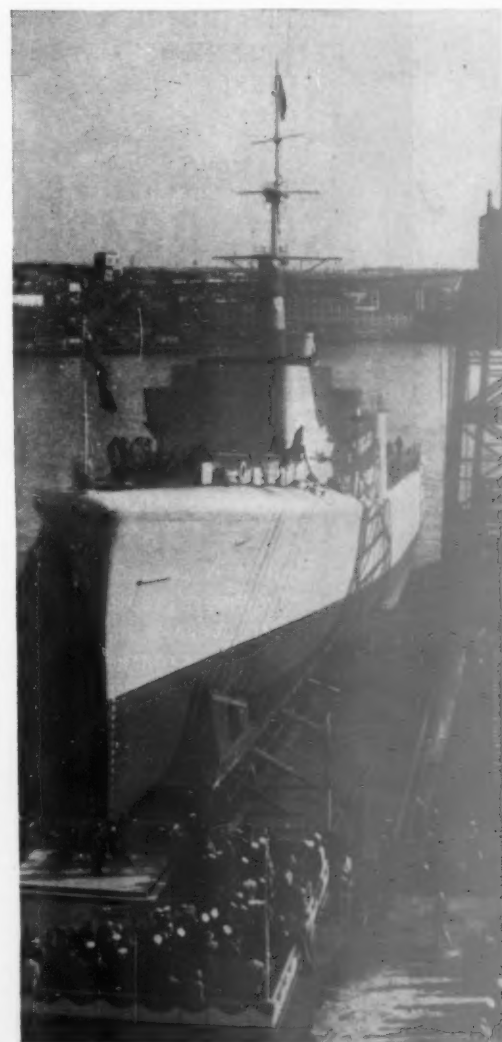
The 45-year-old American in the picture at left is tackling one of the biggest, toughest jobs in Canadian industry—the presidency of Dominion Steel & Coal Corp. Since he took over early this year, Albert L. Fairley, Jr., has been facing a good many more problems than an outsider—and a foreigner—would normally encounter as head of one of Canada's largest companies. For Dosco's troubles are proportional to its size:

- Above ground in the Maritime Provinces of Canada are over a million tons of unsold Dosco coal. Surpluses are such the world over that the stockpile is not likely to be drastically reduced in the near future.

- Foreign competition is hacking away at Dosco's traditional overseas markets for steel and iron ore. And although steel buying is brisk at home in Canada, Dosco has two sizable handicaps: (1) It has no facilities for making flat-rolled steel, which comprises 47% of today's Canadian steel market, and (2) its primary steel mill at Sydney, N. S., is 1,300 miles from the principal Canadian markets (map).

- Finally, Dosco carries heavy responsibility in the Maritime Provinces, where it is by far the largest single employer. Maritimers have never been shy about asserting their stake in Dosco.

- **Fairley's Program**—In his attack on these problems, Fairley is emphasizing steel. In a joint venture with Sogemines, Ltd., Canadian affiliate of the big Belgian holding company, Societe



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Generale de Belgique, Dosco will build a hot and a cold sheet mill at Contrecoeur, Que., only 20 miles from Montreal, with construction expected to begin next fall. The bill will come to about \$75-million. Eventually, Dosco and Sogemines plan to make the mills fully integrated.

The new layout will be much more accessible than Dosco's Sydney plant to inland steel users. Also, the company at last will win entree to the profitable flat-rolled market.

At the moment, the coal situation looks close to insoluble. But Fairley hopes to crack the huge market represented by the Ontario Hydro Electric Power Commission, whose two new thermal power units alone will gobble 4-million tons of coal annually. Adept public relations techniques, stressing an appeal to patriotism, recently got Dosco a token order for 10,000 tons from Ontario Hydro.

I. Shifting Markets

Dosco began, for practical purposes, in 1889 as a string of small Nova Scotia mines purchased by New England transport tycoon Henry Melville Whitney as an alternate source of cheap coal for his Boston enterprises. He also bought reserves of limestone and iron ore in Newfoundland; to utilize them, in 1900 he persuaded a retired American steel executive to build a steel mill at Sydney.

Setting up shop on tidewater at the edge of Atlantic Canada was logical enough at the turn of the century and for a good while after. Dosco was oriented toward export business, and it could conveniently ship coal to the U.S. and iron ore and steel to Europe and the British Empire. But the location put the company at a disadvantage in competing for domestic sales when Canadian industrial growth turned out to be inland around Toronto and Montreal instead of in the Maritimes.

This shortcoming didn't matter so much so long as foreign markets were available. But now they are crumbling. The U.S. no longer wants Dosco's coal. In steel, competition is keen. Once "underdeveloped" countries such as Brazil, Chile, and Mexico are building their own steel industries. And despite Dosco's long experience in selling overseas, it can no longer vie with Japanese, West German, or even British steel-makers. "Right now," says a Sydney steel manager, "our operating costs for making steel rails right here at the mill are higher than the competing Japanese selling price abroad."

• **Turning Inward**—So Dosco is turning with renewed interest toward Canadian markets, particularly the Toronto-Montreal industrial complex. More than 90% of Ontario's coal now comes from Penn-

sylvania; most of its steel is supplied by local mills and U.S. plants nearby across the border. If Dosco is to crash the market, it must overcome the handicap of geography.

Freight rates for finished steel from the Maritimes are nearly prohibitive. Every net ton mile of nails shipped from Sydney to Toronto, for example, costs the company \$24.60. Fortunately, it can ship some steel in semi-finished form at lower rates to fabricating plants run by subsidiaries inland—making screws and nails at Toronto, small-diameter tubing and industrial fasteners at Montreal, and steel towers and bridges in western Ontario. But freight is still an item—for every net ton mile of wire rods hauled from Sydney to the Toronto nail and screw plant, Dosco pays \$12.38.

Coal shipping is expensive, too, but here the Canadian government has provided help in the form of "subventions" or subsidies paid to the railways to lower transportation costs. With this aid Dosco last year managed to sell 438,000 tons of coal to industrial users in Ontario.

II. A New Administration

Despite these handicaps, Dosco has usually shown a corporate profit; in fiscal 1958, the take was about \$2-million. A. V. Roe Canada, Ltd., a subsidiary of the Hawker Siddeley Group, Britain's aircraft and missile maker, evidently felt Dosco could do better yet, because two years ago it bought the coal and steel company (BW—Nov. 16 '57, p60).

At the time, Dosco's corporate organization was loose and complex. Avro started at once to make some sense out of the structure. It grouped the company into four major divisions, each under a vice-president reporting now to Fairley. The divisions are: mining (coal, limestone, and iron ore); steel production; transportation (including small railroad, shipping, and power companies), and steel fabrication and manufacturing. The last is headed by another American, Harvey Smith.

• **Young Blood**—Avro also brought in a lot of new talent, including Americans and Britons as well as Canadians. Many of the Americans came from Henry J. Kaiser's companies. The average age of men in the top 100 management positions dropped from the mid-60s to the mid-40s. Last summer, Avro hired Fairley as executive vice-president, this year made him president.

Fairley came to Dosco from Pittsburgh's Shenango Furnace Co., a much smaller outfit but one with a range of operations wide enough to give him the diversified experience Avro wanted. He had handled pig iron sales, operated coal mines, administered purchasing of



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blast furnace materials, and managed an ore transportation fleet.

Furthermore, he was a Southerner with experience with U.S. Steel's Tennessee Coal & Iron Div. in the Birmingham area, where intense public interest in the business was very similar to that focused on Dosco in the Maritimes. This was "one of the big features which early in the search sold us on him," according to a senior Avro official.

• **Vital Payroll**—In the Maritimes, Fairley found a region that has never benefited fully from Canada's industrial boom. The strength of its dependence on Dosco is evidenced by the fact that in Nova Scotia, for example, one out of six paychecks comes from the big coal and steel company. Since the company's earliest days, management has had to worry about what would happen to the area if Dosco pulled out.

Provincial leaders have chronically exerted political pressure to keep Dosco in the coal business. More recently, militant locals of the United Mine Workers have done the same, disregarding crippling costs, changing technology, and worldwide surpluses. So strong can local influence be that the company, urged by UMW against its own better judgment, launched in 1954 a \$1-million program to manufacture and sell a coal furnace of its own design for home heating. Not even the Nova Scotian coal miners preferred it to oil heating, and it failed.

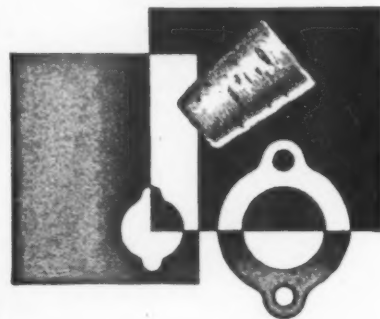
The coal problem has been steadily worsening. Annual output in the last two years has been about 4.5-million tons, compared with capacity of 7-million tons. All the company's 10,000 miners have been given 40-day furloughs on a staggered schedule during 1959.

• **On the Stump**—Fairley's first effort with Dosco was to smooth public feeling in the Maritimes. Even before he took over the presidency, he made a speaking tour of the region—which rarely takes advice from "outside" Canadians, almost never from Americans. He talked frankly about the company's problems and offered reassurance that steps were being taken to solve them. The response, Dosco thinks, has been favorable.

Fairley also has done well in winning over his colleagues in Dosco management, some of whom resented the fact that Avro didn't find a Canadian president.

• **Rejuvenated Branches**—Under Avro and Fairley, Dosco is also revitalizing its manufacturing subsidiaries. For example, the Halifax Shipyards—Canada's fifth largest—was concentrating on ship repairs. In nearly 40 years it had turned out only 22 hulls. Now it has a new general manager, John Lezie, fresh from Kaiser, and wooden sheds containing inventory adapted to World War I ship

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In the same period, urban manufacturing and trade's combined share of the national income has increased from 28% to 54% of the national income.

With this ever-increasing urban prosperity, it's no wonder that more and more young Mexicans are on the move to the cities. Mexico City alone, for example, has increased a whopping 282% in population since 1940.

And today, almost half of Mexico's 33 million people live in bustling urban areas where they continue to earn more, learn more and spend more for the goods and services they work to enjoy . . . goods and services you can supply.

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designs have been torn down at last. Since Lezie's arrival, the yard has been actively recruiting shipbuilding business.

Dosco's Canadian Tube Co. is also modernizing. It will put formerly isolated screw and bolt manufacturing operations under one roof, centralize machine tool and carpenter shops, and expand a profitable industrial fastener division.

• **Coal and Steel Hopes**—Most important to Dosco's future, of course, are the coal and steel businesses. In coal, it's confident of a share in the inland market—with the help of the government's subventions, recently extended for a year at a slightly higher rate, and a patriotic appeal. "Just let us capture one-fifth of Ontario's market," promises a Dosco coal executive, "and we won't have any more coal surplus problems."

In steel, Dosco is still pitching for export business. By selling rails to India and the Union of South Africa, the company has upped production at its Sydney mill from 68% of capacity to 78%. Though that rate is below the Canadian industry's current 90% average, the highly efficient plant is running at a profit.

But, above all, Fairley is banking on the new Contrecoeur mill. Originally, Dosco planned to build the mill itself with Avro's help. But Avro was hard hit last fall when the Canadian government postponed orders for its 400-mph. Arrow interceptor. That killed the hope for internal financing, and the Belgian-backed Sogemines got into the act with a 50% interest. The sheet mills will be run by a new subsidiary, Canadian Steel, Ltd., with a board jointly controlled by Sogemines and Dosco. It remains to be seen how far the interests of the two partners will coincide.

From the point of view of Dosco's relations with the Maritimes, however, the new plant will be a boon, because it will be fed by ingot from its Sydney mill. The company is spending \$12-million to increase Sydney's capacity by 300,000 ingot tons (last year's output: 945,000 ingot tons). This should help persuade Maritimers that Dosco is here to stay.

• **Long-Range Goal**—Fairley admits freely that other Canadian steelmakers will continue to offer stiff competition. But it looks as if there will be enough business to go around. Between 1939 and 1956, Canada's basic steelmaking capacity jumped 250%, compared to a 75% increase in the U. S. Last year, the dominion turned out an estimated 7.6-million ingot tons. By 1980, with rapid population growth, ingot production should be about 18-million tons. In the long pull, Dosco's aim is to snare a quarter of this. **END**



Progress of the New Mexican Edition of LIFE EN ESPAÑOL

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INTERNATIONAL OUTLOOK

BUSINESS WEEK

JUNE 6, 1959



A battle is raging in Bonn over Chancellor Adenauer's successor.

Leading contender is Economics Minister Ludwig Erhard, who has been visiting the U.S. this week. He has the strongest backing in the Christian Democratic Party (CDU), plus the widest popular appeal.

But the aging Adenauer, who is running in September for the presidency, seems dead set against Erhard. He feels that his Economics Minister has been too cool toward the six-nation Common Market and the idea of building a "United States of Europe" around a Franco-German partnership (page 104). Adenauer wants Finance Minister Franz Etzel, a good "European," to succeed him as Chancellor.

Erhard seems to have the upper hand in this struggle. He would leave the cabinet if Etzel gets the nod—putting the CDU in bad shape for the general election of 1961.

Apparently, Adenauer is threatening to withdraw from the presidential race if his party insists on picking Erhard. But such a move would give the Socialist candidate a sure victory. So you can take this threat with a grain of salt. Adenauer probably will settle for Etzel as Vice-Chancellor and Economics Minister, the two posts that Erhard now holds.

CDU party leaders hope to end the squabble soon—with Etzel nominating Erhard at a well-publicized party session.

This political battle reaches well beyond West Germany's borders. The outcome will affect other Continental countries, and Britain as well.

French supporters of an integrated Europe are especially worried. They charge that Erhard is anti-French or, at any rate, just as interested in cooperation with Britain as with France. Even Pres. de Gaulle would miss the kind of strong personal support he has been getting from Adenauer.

For their part, the British would be glad to see Erhard in a position to slow down the development of a close-knit bloc on the Continent.

If he becomes Chancellor, Erhard isn't likely to make any moves to upset the Common Market, Euratom, or the Coal and Steel Community. But he would like to see the Common Market tied in with a broader European scheme to remove tariffs and quotas—something on the line of the British-sponsored Free Trade Area, which France vetoed. And, ultimately, he wants the U.S. and Canada to join in building a still broader group of free trading nations.

In such a trade system, as Erhard sees things, the dollar would have to be the key currency. In a New York speech on Wednesday, he maintained that, with the disappearance of the gold standard, the free world can only function on a dollar standard.



Since de Gaulle came to power in France a year ago, he hasn't had to worry about labor unrest or parliamentary pressures. Thus, he has had a pretty free hand to squeeze the inflation out of the French economy and to pursue a firm Algerian policy.

Now it looks as though de Gaulle faces strikes for higher wages in two critical economic sectors—utilities and transport. He also is running into his first opposition from the Socialist Party on Algerian policy.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

JUNE 6, 1959

At the end of last week, Paris had intermittent shutdowns of gas and electricity supplies. This week, the French capital had its first subway strike under the de Gaulle regime—with crowds going to work on foot and military trucks pressed into transport service.

On the Algerian issue, the Socialist Party has come out for a negotiated peace. The Socialists want de Gaulle to drop his demand that the Algerian rebels surrender before there are any discussions of a settlement.

Working together, the trade unions and the Socialists could arouse considerable public opposition to de Gaulle's Algerian policy.

But de Gaulle is unlikely to give any ground before this kind of pressure. It would merely increase his troubles with the right-wing extremists, who think his Algerian policy is too soft. Moreover, he is confident that the rebels are about ready to accept his terms.

—•—

Some U.S. companies are actively seeking—and getting—orders from Russia. Example: Von Kohorn International Corp., White Plains (N.Y.), will supply \$5-million worth of equipment and engineering for a synthetic-fiber plant 200 miles south of Moscow. The company won a similar contract last year from the Russians.

Meanwhile, Britain is barreling ahead with new Soviet orders—in the wake of the Anglo-Soviet trade pact signed two weeks ago. Booker Bros., McConnell & Co., and Vickers-Armstrongs Ltd. will supply \$4.2-million worth of equipment to Soviet sugar beet factories. The two companies also are hoping for a \$31-million order to outfit three complete sugar plants.

It looks as though Moscow will get a sizable credit from some London banks. Up to now, the British have said that the Soviets would have to look to British manufacturers for any credits. (These would be limited to five years, with the official Export Credit Guarantee Dept. providing insurance.) But the private banks are working out a way to extend a line of credit that would be good for more than five years.

The only question is whether the Russians will pay the going rate of interest in London—4½% or better. Moscow has been insisting that it won't go above 3½%.

Latin America again is breaking out in a rash of strikes, revolutions, and civil discontent.

Argentine workers are staging strikes in almost all lines of business and industry. The Peronista unions are dead set against Pres. Frondizi's austerity program. The government is resorting to bayonets and tanks to keep widespread violence in check.

In nearby Paraguay, Gen. Stroessner's strong-arm regime is facing increased resistance from liberal opposition groups.

In the Caribbean, Castro's victory in Cuba has brought a fresh spate of revolutions. Over a month ago, Panama was the scene of a half-comic, abortive revolution. This week, Nicaraguan exiles based in Cuba and Costa Rica began a small invasion to unseat dictator Somoza.

*Virginia Morris and Jane Mann,
Arkansas Industrial Development Commission secretaries—
answering inquiries from the nation's industrialists
for the 500 page reference, The Arkansas Encyclopedia,
State Capitol, Little Rock.*



*Clara Howard, 83, "retired" Salvation Army Commandant—
visiting the old folks at the Pulaski County Hospital.*

Women at work for

A R K A N S A S



HEADS of six-nation units are Belgium's Finet, of Coal & Steel; France's Hirsch, of Euratom; Germany's Hallstein, of Common Market.

Moving Europe Closer to Unity

As sign of progress, community heads will visit Washington; but failure to solve tough problems could snag program.

Western Europe's "Six"—West Germany, Italy, France, and the three Benelux countries—are entering a crucial test period. At stake is their program for economic integration (chart and map), a program which many Europeans hope will lead ultimately to some form of actual political federation.

Progress to date has been steady—almost astonishing. In 1952, the Six broke precedent and formed the European Coal & Steel Community (ECSC). Last year, they moved still closer together by creating a European Atomic Energy Community (Euratom). This January they took the giant step—a coordinated reduction in tariffs and liberalization of quotas, as a start in building a European Economic Community (EEC), or Common Market.

As a sign of growing unity, the leaders of these three communities will visit Washington next week. The trio consists of Walter Hallstein, former

Under Secy. of State in West Germany, who heads EEC; Etienne Hirsch, boss of Euratom, who was formerly chief economic planner for the French government; and Belgian labor leader Paul Finet, head of ECSC.

In talks with U.S. officials, these leaders will represent a six-nation area that boasts 165-million people and a combined gross national product of over \$150-billion.

• **Bumps on the Road**—The road toward European economic integration doesn't look smooth, and no one in Bonn, Paris, or Washington expected it would. But now the actual start of the Common Market has accentuated all sorts of problems—from economic nationalism to relations between the Six and outside countries—that tended to be put aside earlier.

Beyond that, unexpected problems have cropped up. One tough one in the months ahead will be West Germany's position in the Common Market. That's because there's a squabble over whether Economics Minister Ludwig Erhard, who has favored a wider Free Trade Area instead, will succeed Konrad Adenauer as Chancellor.

These problems could bog down the

whole program, just when it seems to be gathering momentum toward the distant but ultimate goal of a "United States of Europe."

I. Business in the Lead

The movement toward economic integration already has made a lot of down-to-earth progress.

For one thing, the Six have slashed duties 10% on products moving inside the Common Market. They have liberalized quotas—and without France's invoking "safeguard clauses," as had been expected.

Businessmen inside and outside the Common Market clearly have accepted the six-nation market as a reality. To meet stiffer competition within a broad market, they have moved fast to strengthen trade associations, to sign technical and sales agreements, and to merge production facilities.

• **Activity**—Look at the record. In individual countries, over 50 mergers or marketing agreements between companies have taken place since January. In the same period there have been 18 agreements between competing companies in different Common Market

countries. The tie-in between France's Renault and Italy's Alfa Romeo is one example. Another is the joint production of guided missiles—within the broad NATO framework—by Belgium's ACEC, Germany's Telefunken, Italy's Fimmeccanica, and France's Thomson-Houston.

Beyond that, nearly 100 companies outside the Common Market—mostly from the U.S.—have decided to expand facilities in the six-nation region.

• **Picking Up Speed**—Even protectionist-minded French industry is changing its old ways. It now seeks cooperation with competitors both at home and in other countries. French industrialists go so far as to complain about the slow 12-to-15-year period for setting up a full-scale Common Market.

"You can't plan to become 30% competitive by 1961, 60% competitive by 1965," says one French industrialist. "You have to do it all at once—right away." This view reflects the attitude of many European businessmen.

II. How Much Power?

While businessmen are moving fast to adjust to a new market, the governments of the Six are struggling to coordinate the overlapping activities of

the three communities—EEC, Euratom, and ECSC.

Here's what they're up against:

- There's no common headquarters. Coal & Steel has its offices in Luxembourg. The Common Market and Euratom, though headquartered in Brussels, use two different buildings.

- Terms of the members of the three executive bodies don't coincide. Technically the High Authority of ECSC went out of office last February. When new members are appointed, they will have a six-year term. The commissions running EEC and Euratom will be reappointed in 1962.

- Each community already has a plethora of civil servants—though many are of top caliber. And the present administrative setups are cumbersome.

- **Cross-Currents**—More important, the Six have not yet cleared up the question of policymaking within each community. To understand this problem, you have to look at the structure of the communities' governing bodies.

The treaties that set up the communities provide for dual responsibility in policymaking. On the one hand, the executive bodies—such as ECSC's High Authority—represent the six-nation group. On the other, the Council of Ministers (which is the same for all

three communities) speaks on behalf of individual countries.

Officially, the executive bodies handle policy. But unless they keep the initiative, the Council of Ministers—which has strong veto powers—may come into the picture. To get their way, the executive bodies tend to put all problems, whether national or regional, in a "European framework." That way, the two commissions and the High Authority put the ministers on the spot, pressuring the latter to prove that they are "good Europeans."

- **Moving Gradually**—Even so, the Six don't want the executive bodies to have strong supranational powers—for the present. Relatively speaking, the High Authority is more powerful than the Euratom or EEC commissions. But that's still not much power. Recently the Council of Ministers showed their unwillingness to give up nationalistic interests when they disapproved the High Authority's plan for solving the present coal crisis.

As hopeful European observers see it, the governments of the Six will move toward supranational institutions very gradually. For instance, the 142 delegates to the six-national Assembly now are chosen from legislators in each country; and the Assembly plays only

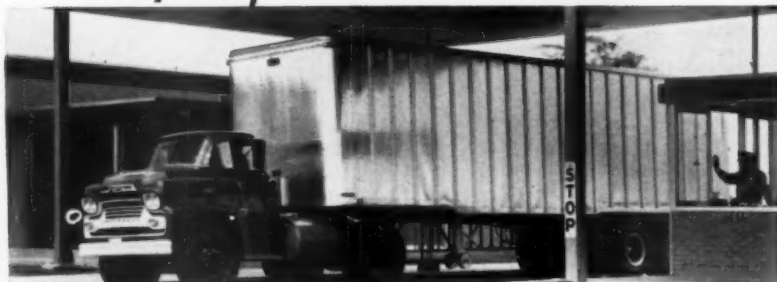
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LUDWIG ERHARD, if he wins post as West German chancellor, may try to link Common Market with outside countries.

a consultative role. Later, it is hoped, the delegates will be chosen by six-nation elections. Ultimately, the Assembly could become an effective federal parliament.

III. Political Hurdles

Before the countries get near that stage, they will have to hurdle the obstacles now facing them.

- **France and Germany**—Take the problem of French-German relations. The recent reconciliation between these two countries has been a keystone of the whole European movement. But now, with Chancellor Adenauer, a dedicated "European," planning to move up to the presidency of West Germany, the warmth could go out of French-German relations.

The nub of the problem is whether Ludwig Erhard will get Adenauer's job. Erhard has been critical of France. He has favored European-wide free trade as against Adenauer's restrictive Common Market. Through complex political maneuvers in the past few weeks, Adenauer has been trying to kill Erhard's chance at the chancellorship. But Bonn observers are betting on Erhard.

Meanwhile, resurgent nationalism in France under Pres. de Gaulle's government is worrying the backers of the European movement. De Gaulle has said he would honor France's existing commitments to the three communities. But he is cool toward any diminution of French prestige through creation of strong supranational bodies.

- **Britain's Role**—Most rankling of these broader problems is the continuing split between the Six and the outside countries, led by Britain. The British-proposed Free Trade Area including the



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outside countries has fallen through.

Now both Britain and Sweden are trying to form an "Outer Seven"—an economic grouping to include the other two Scandinavian countries, Austria, Switzerland, and Portugal that would rapidly lower tariffs in a limited free trade zone. This new scheme is regarded more as a tactical move for bargaining with the Six than as a serious, long-term program. Yet few observers see any early settlement of Britain's dispute with the Six (and especially with France, which fears British competition).

Washington officials hope that somehow GATT (General Agreement on Tariffs & Trade) and the 17-nation Organization for European Economic Cooperation (OEEC) will help prevent a head-on clash between the Six and the outside countries. One way would be to minimize discrimination by the Six against both West European countries and the U.S.

IV. Problems of Growth

All three communities, of course, have had growing pains. The Coal & Steel Community paved the way for Euratom and EEC. But while it got off to a promising start, it now is trying to cope with a major crisis caused by a coal glut.

As the pace setter for the other communities, ECSC's failure to handle the crisis forthrightly has been interpreted as a real setback for European integration. France, West Germany, and Italy voted against the proposal of the High Authority to curb coal output and imports. The voting record shows how nationalistic views still loom large in the effort to integrate the Six.

France said it should not penalize its own miners because of Germany's and Belgium's failure to close marginal mines. Italy said it did not want restrictions because it would like to shop for coal wherever it is cheapest (in the U.S.). The Germans simply said they did not want the High Authority interfering in their internal problems. Meanwhile, all six countries privately criticized the High Authority for not having taken action earlier to forestall the coal-surplus problem.

• **Atomic Progress**—By contrast, the much newer Euratom has had fairly smooth sailing. That's partly because of its limited area of responsibility—development of commercial atomic power for the Six, to lessen their dependence on imported oil. It's also because the nuclear-energy industry is new, with few vested interests of long standing. Beyond that, the U.S. has been working closely with Euratom to provide technical and financial assistance.

On the other hand, some observers



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feel that Euratom has moved too slowly. That lag stemmed from the illness of Louis Armand, its first president. Even with Hirsch in the driver's seat, however, Euratom isn't likely to pick up much speed.

The primary reason is that the post-Suez oil shortage, which spurred Euratom at first, is over. In fact, there's an oversupply of oil on world markets. Thus, Washington officials doubt that Euratom will meet its long-term goal of 15-million kw. of installed nuclear capacity by 1967.

V. Moves Still to Come

As for the Common Market (EEC), still in its infancy, officials here and abroad are so optimistic about its speed of development—large problems notwithstanding—that they expect trade barriers to come down faster than scheduled. They also see other signs of progress that will gradually broaden EEC's operations. For one thing, EEC has set up a European Investment Bank and a fund for underdeveloped territories such as the Belgian Congo.

- **Financial Cooperation**—On a broader scale, EEC will push for closer cooperation in financial and fiscal policies. You can see the step-by-step buildup. West Germany gave large-scale financial aid to France last year. That helped make possible the sudden switch in Western Europe and Britain from stiff currency restrictions to partial convertibility.

Convertibility, in turn, will help lead to what some observers consider the next big step—creation of a common capital market linking European stock exchanges. At a later stage, a federal reserve system similar to ours might be formed. That would bring closer the old dream of a common European currency.

- **Energy and Transport**—In the energy field, more coordination in the future would seem logical. ECSC handles coal; Euratom, nuclear energy. Individual governments still set petroleum policies (though oil produced and traded within the Common Market, of course, will benefit by lowered trade barriers). Already, Jean Monnet's Action Committee for the United States of Europe is calling for the establishment of a special committee to forge a common European energy policy.

- **Shy on Predictions**—European statesmen shy away from predictions about where the communities will be five or 10 years from now. All sorts of factors—political blowups in the Middle East or Algeria, economic upheavals in member countries—could halt progress.

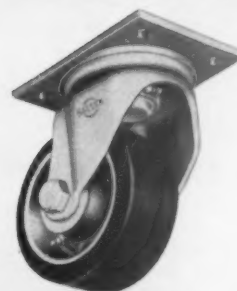
Still, some experts predict that given favorable circumstances, the three communities will merge within five years. Others think there will be only two—the EEC and an energy pool. **END**

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Edward M. Bernstein

Looks at the Loss of U.S. Gold

U. S. GOLD SALES (millions of dollars)	
1950	1,473
1951	-53 (purchases)
1952	-379 (purchases)
1953	1,161
1954	298
1955	41
1956	-306 (purchases)
1957	-798 (purchases)
1958	2,275
1959 (to May 20)	346
Total . . .	4,058

HIS CONCLUSIONS:

OUR PROBLEM ISN'T EXPORT WEAKNESS.

WE ARE HOLDING OUR OWN IN TOTAL WORLD EXPORTS

U. S. SHARE (per cent)	
1950	17.7
1951	18.5
1952	18.4
1953	17.0
1954	17.0
1955	17.1
1956	18.7
1957	19.4
1958	17.2

WHILE OUR SHARE IN WORLD EXPORTS OF MANUFACTURES STILL IS LARGE

	U. S.*	U. K.	GERMANY	JAPAN
(per cent of total value)				
1951	26.5	22.0	10.0	4.3
1952	26.2	21.6	12.0	3.8
1953	25.9	21.3	13.3	3.8
1954	25.1	20.4	14.8	4.7
1955	24.5	19.7	15.4	5.1
1956	25.2	19.1	16.4	5.7
1957	25.4	18.1	17.5	5.9
1958	23.2	18.0	18.6	6.0

IT ISN'T IN CURRENT TRADING AT ALL

	U. S. TRADE SURPLUS	CURRENT ACCOUNT SURPLUS*
(million dollars)		
1950	1,009	1,856
1951	2,921	3,534
1952	2,481	3,757
1953	1,291	2,355
1954	2,445	3,849
1955	2,753	4,304
1956	4,530	5,981
1957	6,036	8,354
1958	3,263	5,232

* Excluding U. S. military expenditures abroad and military aid supplies and services.

IT'S DUE TO THE INCREASE IN . . .

	U. S. PRIVATE NET CAPITAL OUTFLOW*	AND EVEN MORE IN U. S. GOVERNMENT EXPENDITURES AND TRANSFERS**
(million dollars)		
1950	1,265	4,742
1951	1,068	5,931
1952	1,158	6,940
1953	369	8,844
1954	1,619	7,318
1955	1,211	7,259
1956	2,980	7,836
1957	3,211	8,136
1958	2,924	8,449

* Excluding re-invested earnings of foreign subsidiaries of U. S. companies.

** Military expenditures, grants of military supplies, other grants and U. S. Government net capital outflow.

A Look Behind the Gold Drain

One of the country's leading international economists, Edward M. Bernstein, has just entered the ring to defend the much-abused dollar and to attack the argument that recent U.S. gold losses are due to a deteriorating competitive position in world trade.

In an analysis of the U.S. balance

of payments prepared for the New York investment firm of Model, Roland & Stone, Bernstein argues that the problem stems not from any weakness in exports or flood of imports, but rather from excessive government payments to foreign countries. These payments, along with a rising outflow of private

capital, he contends, account for the big deficit in our international payments (\$3.3-billion in 1958) and for the drain of U.S. gold to Western Europe. You can see the line of his argument in the tables above.

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authority in international trade and finance. He served at one time as an assistant to the Secretary of the Treasury, and he was director of research and statistics for the International Monetary Fund from 1946 until January, 1958.

• **Confidence Remains**—So far, according to Bernstein, our sales of gold do not indicate any loss of foreign confidence in the dollar. "There has been no net conversion of dollar balances into gold," he says. "On the contrary, foreign reserves in the form of U.S. dollar assets are still rising."

Nor do gold sales, as widely assumed, suggest to him that U.S. business is "pricing itself out of world markets."

But the time has arrived, says Bernstein, when the U.S. must correct its payments deficit. If that isn't done, he warns, the dollar could indeed become a "weak" currency.

The way Bernstein wants to meet the problem is to cut U.S. government spending in Western Europe. This totaled \$3.4-billion in 1958 if you include military expenditures, grants of military supplies, other grants, and U.S. government net capital outflow.

Bernstein sums up his position this way: "The United States has the capacity to increase its aid to countries that need real resources to enable them to maintain their development—that is, to the underdeveloped countries. It cannot continue to provide aid to countries merely to enable them to acquire reserves of gold and U.S. dollars."

• **Response in Washington**—Bernstein's views are sure to get a hearing in Washington and in U.S. financial circles—and probably some scowls from our NATO allies. His arguments will reinforce the feeling of a large group in Congress that U.S. military aid should be cut to make more room for economic assistance to the underdeveloped countries. This feeling showed up last week in shifts in the aid program recommended by the House Foreign Affairs Committee.

Not every economist will agree with Bernstein's analysis or with his recommendations. The dissenters will include some government trade and financial specialists, who feel you cannot break the U.S. balance of payments apart the way Bernstein has. Others doubt it's possible to cut American military expenditures in Europe without disastrously weakening NATO.

• **Exports Hold Up**—In his analysis, Bernstein first sets out to prove that "there is no justification for the pessimistic view that the competitive position of the United States in world trade has been seriously impaired." To support this judgment, he marshals data to show that from 1950 to 1958 the U.S. has been able to maintain consistently almost the same relative share

in total world exports. He also demonstrates that our share of world exports of manufactures has held up remarkably well—at least as well as Britain's, for example—in the face of rising competition from West Germany and Japan. Then, though in a less persuasive way, he dismisses the increase in U.S. imports as a minor factor in the payments deficit. Some other economists attach great significance to this factor.

In brief, says Bernstein, the export and import record does not reflect any weakness in our competitive position. "There is no convincing evidence that the U.S. is pricing itself out of world markets," he concludes.

• **Source of Deficit**—Next, the economist stresses that except for 1957, the year after Suez, the U.S. has since 1950 run a deficit in its over-all balance of payments. This has happened despite the fact that each year we have had not only a trade surplus (an excess of merchandise exports over merchandise imports) but also a "current account" surplus (an excess on all transactions except U.S. private investment abroad and government expenditures). In fact, the U.S. trade and current account surplus has been growing much larger in the past several years.

"This is not the balance of payments of a country that is unable to compete in supplying commercial goods and services in world trade," Bernstein observes. "The explanation of the large and continued deficit in aggregate U.S. payments must be found in other sectors of the balance of payments—U.S. private foreign investment and U.S. government expenditures and transfers abroad."

• **Where He Worries**—The analysis then turns to an examination of these two basic elements.

Bernstein sees no reason for concern over the large outflow of private capital. He points out that remitted earnings on U.S. investments abroad amounted to nearly \$2.9-billion in 1958. In fact, the U.S. is an enormous capital creditor in the world economy—with assets abroad amounting to \$58.9-billion, excluding the gold holdings of the U.S. Treasury. These assets, compared with \$20.8-billion of foreign assets in the U.S., are "an indication of the basic strength of the U.S. dollar and a source of large and growing receipts in the U.S. balance of payments."

It is the large increase in U.S. government expenditures and transfers—up from \$4.7-billion in 1950 to \$8.4-billion in 1958—that bothers Bernstein. With such a rise in government payments, coming on top of the private capital outflow, he says, "it is not surprising that even the very large surplus on current account has been insufficient to avoid an over-all deficit in U.S. payments."

BUSINESS ABROAD BRIEFS

Andrei Tupolev, top Soviet aircraft designer (TU 104 jet and other planes), who last visited the U.S. in 1936, will come here soon on Washington's official invitation. Pres. C. R. Smith of American Airlines already has agreed to provide coast-to-coast transportation for Tupolev's factory and lab tour.

• **Western Europe's drive** toward economic integration (page 104) is analyzed in a new 152-page report—European Common Market and Its Meaning to the U.S.—issued by the Committee for Economic Development. CED urges the U.S. to back a broader free trade area. McGraw-Hill is publishing the report in book form.

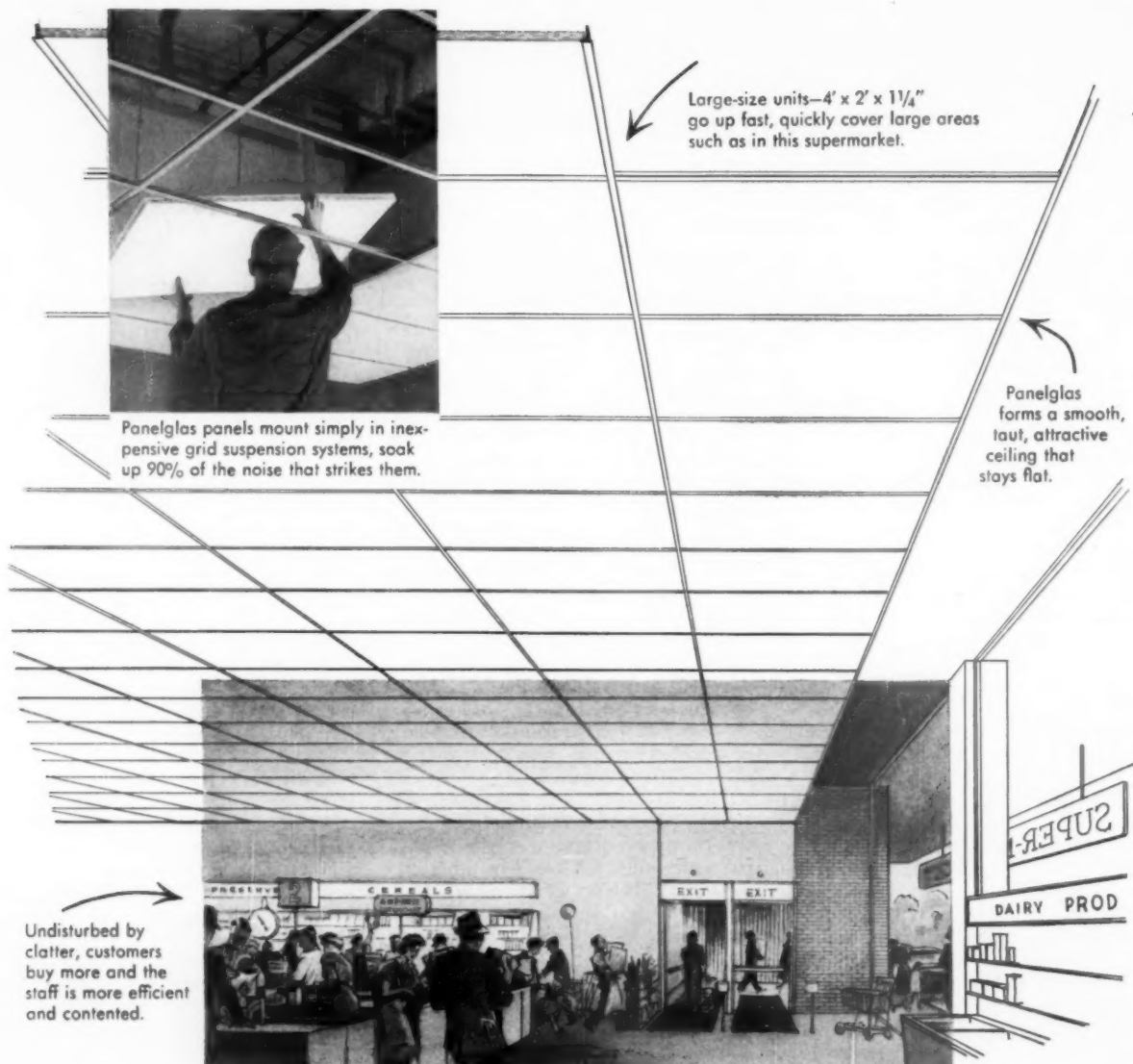
• **A huge prospecting area** in Bechuanaland, the British protectorate north of the Union of South Africa, has been handed to the Rhodesian Selection Trust under a royalty agreement with the Bamangwato tribe. The vast area, eyed by RST for years, covers 40,000 sq. mi.—roughly equal in size to RST's copper-mining territory in Northern Rhodesia and adjoining regions. American Metal Climax, Inc. holds a controlling interest in RST.

• **Housing project in London** covering 35 acres and costing \$56-million will include 2,150 apartments, a 2,600-car parking lot, arts and sports centers, and a hotel. The seven-year project may be built in a section of the City, London's financial center.

• **Soviet economic aid** to India is expected to be boosted during New Delhi's forthcoming "third Five-Year Plan." Reason for this stepup in aid to India would be to offset frigid relations between India and Red China and to bolster India's own Communist Party. One possible project: doubling the capacity of the 1-million-ton, Soviet-built steel mill at Bhilai.

• **Japan's auto industry** is jubilant over \$33-million worth of new orders just placed by U.S. Defense Dept. for its five-year program for modernizing military transport in the Far East. Toyota Motors, No. 1 producer, is getting the biggest share.

• **Brazil's economic mess** shows few signs of improvement. The government averted a strike of transport and utility workers only by granting a 35% wage hike. Finance Minister Lucas Lopes' heart attack last week also has renewed speculation about a cabinet reshuffle that could further slow Rio's economic stabilization program. Brazil is still hoping for a \$300-million U.S. loan package.



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THE MARKETS

Variable Annuities: Ready to Roll?

- The controversial new type of insurance company retirement plan is almost ready for widespread public sale.
- New Jersey is expected to let Prudential market them, since Supreme Court has fixed questions of regulation.
- The impact of variable annuities will be felt by the stock market, banks, mutual funds, and life companies.

Among the 187 bills that New Jersey Gov. Robert B. Meyner must approve or disapprove this week and next are three measures allowing the Prudential Insurance Co. of America to sell variable annuities. Variable annuities are a controversial new type retirement plan that gives the purchaser a hedge against inflation because it is based on investments in common stocks (BW—Jun. 28'58,p110).

Widespread sale of this kind of annuity has been blocked by two important legal questions:

- Who should regulate variable annuities—state or federal governments or both?
- Will the insurance companies' home states—as well as other states—give them permission to sell the contracts?

The U.S. Supreme Court answered the first question this spring by ruling that variable annuities were essentially securities, not insurance contracts, and as such subject to Securities & Exchange Commission regulation (BW—Mar.28 '59,p132). If Gov. Meyner signs the bills, as expected, he will give a partial answer to the second question, and New Jersey will become the first state officially to endorse variables.

Before long, the Pru and other companies that have been pushing variable annuities will be free to find whether the sales potential they have been projecting really exists.

• **Repercussions**—Eventually, the financial community may be affected more by New Jersey's action than by any other piece of state legislation in recent years:

The stock market may draw a massive infusion of new purchasing power—in all likelihood concentrated narrowly on high-grade common stocks.

The life insurance industry, although it's still apparently as deeply divided as ever on variables, will be in a position to recapture the retirement savings business it has been slowly losing to non-insured pension plans. Competition within the industry should gradually force most of the major life companies to sell variables. Many will be

slow to do so, however, because of the SEC regulation involved; life companies will be reluctant to abandon their traditional pattern of state regulation only.

Commercial banks, which have been gleefully taking pension fund business away from life companies lately, will face stiffer rivalry. Part of their advantage has been greater freedom to invest the funds in common stocks.

Mutual funds will be hit by direct competition from sales of such variable annuity policies to individuals.

• **Inception**—Credit—or blame, depending on your point of view—for the variable annuity concept belongs to William C. Greenough. In 1950, he produced a pioneering study for the Teachers Insurance & Annuity Assn., of which he was then vice-president. The study showed that over the previous 70 years—through bull market and bear—the purchaser of a common stock portfolio was better off than the holder of a fixed-dollar annuity.

As a result of the study, TIAA set up the College Retirement Equities Fund, which allows purchasers of TIAA annuities the option of having up to 50% of their savings put into common stocks.

On retirement, the holder of a CREF annuity is paid not in a fixed dollar amount but on the basis of "units," whose value is determined by the prices prevailing at the time for the securities backing the annuity. If there's a protracted bear market, the purchaser may well receive less than he invests; if the market soars, he will collect more. It's this risk factor that led the Supreme Court to classify variables as "securities" and not "insurance."

• **Trailblazers**—CREF's success inspired the formation of a number of companies to market variables, most of them in the District of Columbia. They have operated in about five states under rulings by state attorneys general or insurance commissioners that variable annuities do not violate any local insurance laws—rather than under specific state permission such as granted in New Jersey. Some of these local rulings

are reportedly under review as a result of the Supreme Court decision.

In addition, some life insurance companies selling to the general public rather than to a special group—as does TIAA—have teamed up with mutual funds to offer a combined service similar to a variable annuity.

• **Regulation**—The Supreme Court finding that the SEC should supervise variables solved most—but not all—of the problems about regulation. Even with this decision, it's likely that a system of parallel regulation by both federal and state authorities will develop. States won't readily surrender the power over insurance that has been exclusively theirs so long.

However, no one yet knows the scope of SEC's power to regulate insurance companies selling variable annuities—whether SEC should oversee the entire investment operations of a company selling variables, or only that portion applying to the variables. This question is the subject of closed-door negotiations currently in progress in Washington between attorneys for SEC and the two companies in the Supreme Court case—Variable Annuity Life Insurance Co. and Equity Annuity Life Insurance Co.

If the SEC should attempt to bring a company's entire investment program under scrutiny, insurance men say more litigation is likely to result. Even the Pru, which fought so long for the variable concept, might balk at putting all its business under federal purview.

• **Sales Prospects**—When variable annuities finally go on general sale, the most fertile field is expected to be group sales—which means pension plans. Increasingly corporations have been buying common stocks with their pension funds, to get higher yields, appreciation, and in many cases to provide a hedge to help cover future increases in benefit levels. Last year, common stocks added up to 39% of the market value of all corporate pension fund holdings, compared with 30% the year before (BW—May30'59,p96).

Corporations have been turning more and more to banks to act as trustees for pension plans, for the reason that the law has prevented insurance companies from investing more than a small portion of their assets in common stocks, while the banks have considerable leeway in investing in stocks. Even if a fund wants to buy nothing but bonds, though, the insurance companies have been at a competitive disadvantage. The earnings and capital gains from a qualified bank-trusted pension plan are tax-free, but, at least



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until this year, insurance companies have had to pay a small—but significant—tax on earnings of insurance company assets, and this extra cost has to be figured into the premiums insurance companies charge. Right now there's a section of the life insurance tax bill on which Congress was completing action this week that would permit pension fund earnings held by insurance companies to be almost tax-exempt.

To eliminate the other competitive handicap to life companies, many solutions have been proposed. One is to permit the companies to set up trust company subsidiaries that could compete equally with the banks (BW—Jan. 24'59, p118). More recently, Connecticut has enacted legislation allowing life companies in the state to establish segregated accounts for employer contributions to pension funds and invest this money in common stocks (BW—May 23'59, p160). John Hancock Mutual Life Insurance Co. is pressing for similar legislation in Massachusetts.

• **Variable Virtues**—None of these devices, however, holds the same appeal as a variable annuity. Under a conventional pension plan using common stocks, the company is able to boost benefits if the stocks do well; but it does not have to do so. With a variable annuity, on the other hand, improved market performance is automatically translated into bigger benefits.

It's for reasons like this that Pres. Carrol M. Shanks of the Prudential figures that variables will be bought heavily by corporations. Some companies, in fact, already have variable plans of their own. Long Island Lighting Co. started a variable plan in 1952. Since that time, thanks in good measure to the rising stock market, "units" in the plan have jumped in value from \$10 to over \$22. Company officials say employee and union response to the plan has been "terrific."

Trust officers at big New York banks specializing in pension fund management admit that competition will be tougher. But they claim that the lower cost and greater flexibility of bank-trusted plans will give them an edge.

• **Where Next?**—Despite the New Jersey legislation, which apparently clears the way for the Pru, most other life companies are waiting for the Pru's results before they move.

Metropolitan Life Insurance Co., the most vocal opponent of variables, remains as opposed as ever. Pres. Frederic W. Ecker describes the New Jersey action as "unfortunate." On the other side of the fence, the New Jersey bills were warmly endorsed by Louis W. Dawson, president of Mutual Life Insurance Co. of New York, which has supported variables in the past. But **MONEY** says it isn't ready to push for similar legislation in New York. **END**



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BETTER THINGS FOR BETTER LIVING...THROUGH CHEMISTRY

In the Markets

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Wilma Soss Wears Black to Mourn

Omission of NY Central Dividend

Dressed in widow's weeds, Mrs. Wilma Soss (picture), ubiquitous president of Federated Women Shareholders in American Business, mourned the passing of the New York Central dividend last week at the road's annual meeting. Judging from the comments of Alfred E. Perlman, Central proxy, the black veil probably will be in style for some time, too.



Perlman said cash dividends—which haven't been paid since June, 1957—weren't likely to be restored soon. He said (1) dividends must be earned before they can be paid and (2) earnings must be plowed back to assure future profits.

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SEC Scanning Put and Call Deals

With an Eye to Possible Regulation

Put and call brokers scoffed this week at the Securities & Exchange Commission's claim that it has been receiving more public complaints about losses sustained in put and call transactions. Puts and calls are negotiable contracts that guarantee the holder the right to buy (call) or sell (put) a specified stock at a fixed price within a set period.

SEC last week announced it has started a study into the operations of the put and call market because of "enough complaints to cause concern." The SEC wants to find out if there's a need to set up rules governing the option market. It has never done so, largely because the public hasn't been interested in this type of trading.

But put and call brokers say the SEC study is mainly the result of one complaint—that of William Kino MacKay, a Briton, who has sued three New York brokerage houses, alleging they "churned" his accounts to obtain excessive commissions. The brokers maintain that "the put and call business is as clean as any in Wall Street."

• • •

Convertibility of European Currencies

Causes Churning in Foreign Exchange

European convertibility moves last December (BW—Jan. 3 '59, p17) are producing some basic changes in the foreign exchange market.

This week, the pound sterling, which some British financial men have described as "undervalued" in rela-

tion to the dollar, started to move back up after a sharp sinking spell. The drop was the first substantial sign of weakness in the pound since the Bank of England boosted its discount rate to 7% as an aftermath to the Suez crisis in 1957.

Most sophisticated traders in the foreign exchange market say the very strength of sterling since convertibility was announced is responsible for the decline—paradoxical as this may seem. This strength, they note, has caused the global "short position" in sterling to fall, thus pulling a technical prop from under the market. Moreover, companies that trade in the sterling area are more confident now; so they are less inclined to hedge against exchange risks.

Another change causing comment is the recent loss of gold and foreign exchange by the Swiss. At the end of April, the drain amounted to \$81-million, the first important drop in Swiss reserves since 1952. Traders say the decline is due to the fact that convertibility has robbed the Swiss of their favored position as a clearing house for holders of nonconvertible currencies who wanted to buy dollars.

• • •

Stocks Again Fail to Gain Ground . . .

Stock prices went through another shakeout this week, adding weight to the theory that the bull market is going to have trouble getting much above present levels. On Tuesday, the popular Dow-Jones industrial average—sporting a new look as four stocks were switched in the index—dropped six points, and the usual rally after such a sharp drop was slow and unsure.

The four stocks dropped from the Dow-Jones index were American Smelting & Refining Co., Corn Products Co., National Steel Corp., and National Distillers & Chemical Corp. They were replaced by Anaconda Co., Swift & Co., Aluminum Co. of America, and Owens-Illinois Glass Co., respectively.

The change was made to make the index "more representative," but critics argue it still is only a rough measure of the market's performance (BW—May 30 '59, p91).

. . . As Bonds Resume Downward Skid

The short-lived technical rally in the bond markets halted abruptly this week, and bond prices began to deteriorate further. The federal 2½s of 1965 are again approaching a 4.5% yield level; government bonds generally are at the lowest prices in nearly 40 years.

Dealers and institutional investors said the price decline was not caused principally either by the talk of a hike in the debt ceiling to a \$290-billion to \$295-billion level or the prospective increase or elimination of the 4½% interest rate ceiling on governments; the markets have discounted both of these developments well ahead of time. Rather, the renewed drop in prices reflects, they say, the fundamental situation of current demand and supply for long-term funds. Currently, syndicates dealing in new issues of high-grade utility first mortgage bonds have found a working price level at a 5% yield. The \$50-million Public Service Electric & Gas bonds were sold at that level, and the \$75-million Consolidated Edison Co. of New York bonds were quickly oversubscribed at a 5.05% yield.

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painting by Frank McMahon

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agricultural region. Five major railroads pass through Carleton. It is near important shipping points and facilities and is in the center of a network of superhighways. The fast-growing Port of Monroe, open to deep water shipping via the St. Lawrence Seaway, is within 20 minutes, truck time.

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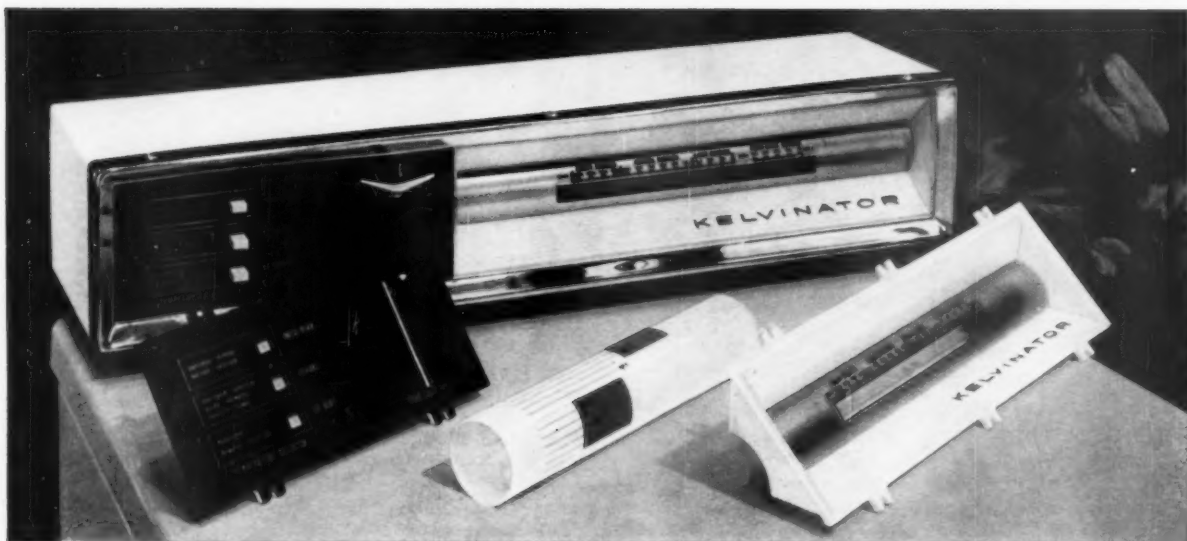
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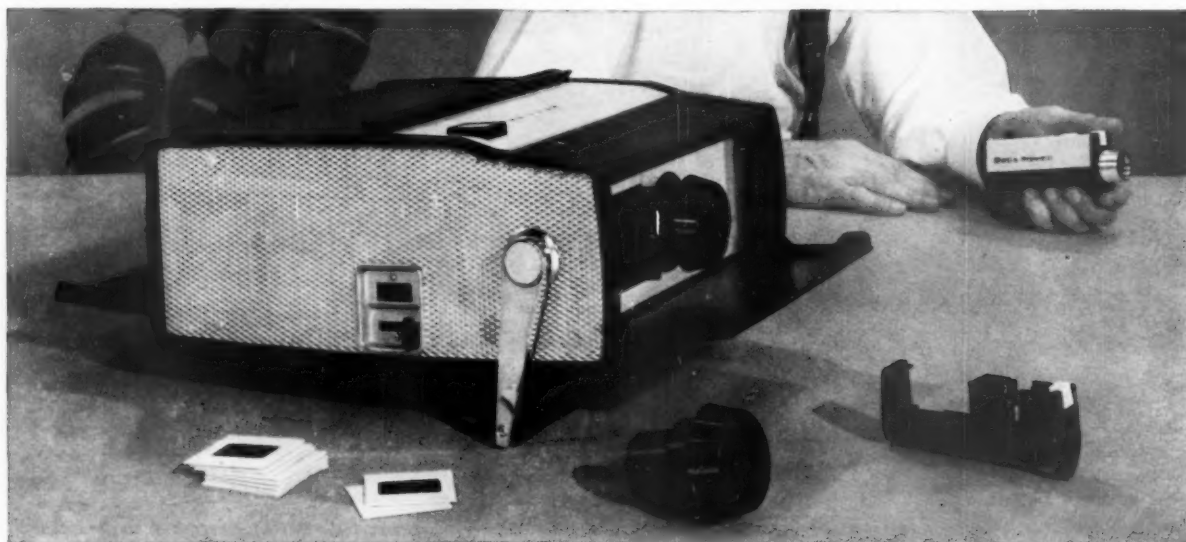
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PERSONAL BUSINESS

BUSINESS WEEK

JUNE 6, 1959



If you are planning to vacation in Hawaii, don't delay in making reservations. Approaching statehood is spotlighting the islands.

While it probably won't be hard to get accommodations at out-lying ("neighbor") islands, the Waikiki tourist hub on Oahu will be running at near-capacity (BW—Mar. 21 '59, p156).

Waikiki offers a wide choice of fine hotels. Among the best are:

- The four hotels Sheraton Corp. purchased from Matson Navigation Co.—the Royal Hawaiian, queen of the Waikiki "crescent"; the renovated Moana; the Surf Rider; and the Princess Kaiulani, newest of the four.
- The Hawaiian Village hotels. The "village" has the most varied complex of beach activities, restaurants, night clubs, and shops in the islands.
- The Reef, Edgewater, and other Kelley-owned hotels.

In a class by itself is the Halekulani, a rambling network of cottages nestled under the palms. The Halekulani's service equals the Royal Hawaiian's, but it strives for naturalness while the Royal accents glamor.

If you prefer to rent a house, some outstanding residences are available in Kahala, not far from Waikiki (\$1,000 to \$1,500 a month).

Major sightseeing attractions include Pearl Harbor, the National Memorial Cemetery in Punchbowl Crater, Honolulu Art Academy, the Bishop Museum for Polynesian history and art, and Hawaiian Pineapple Co.

For dining, you'll certainly want to try Hawaiian luau, a native feast featuring barbecued meat and exotic fruits. Two of the best places to get it are Don the Beachcomber's and the Queen's Surf.

And for other cuisines, try these: Chinese, Lau Yee Chai's in Waikiki, Trader Vic's, near Waikiki, Wo Fat's in Honolulu's Chinatown, and the Golden Dragon at Hawaiian Village; Japanese, Kyo-Ya in Waikiki and Ishii Garden or Mochizuki in midtown Honolulu, where tea house dinners are served in traditional fashion; Korean, the Korean Village at International Market Place in Waikiki; and French, La Parisienne in Waikiki.

First-rate American food is plentiful, too. Order steaks at Canlis Broiler and Don's Beef Steak and Coffee House in International Market Place, both in Waikiki.

The local night clubs offer a fine selection of floor shows. To see Polynesian talent (Hawaiian, Samoan, Tahitian), visit Don the Beachcomber's and the Tapa Room at Hawaiian Village.

For sports activity, you can golf at Waialae Country Club or Pali Golf Course, both championship links, or at Oahu Country Club. Or you might enjoy outrigger canoe rides, catamaran (double canoe) rides, or water skiing. You can also rent boats for deep-sea fishing not far from Waikiki.

Business note: Waikiki has several brokerage offices in case you want to keep an eye on the market while you're vacationing.

If you decide to stay on one of the neighbor islands, you will find choice accommodations at these spots:

Hawaii. In the port city of Hilo, the islands' orchid center, both the Naniloa and Hilo hotels are attractive—but they have no beach. Away from Hilo, there is Volcano House, situated on the rim of Kilauea Crater at an elevation of 4,000 ft. It has excellent hiking and riding trails.

On the Kona Coast, you'll find lively deep-sea fishing. Down the 121

PERSONAL BUSINESS (Continued)

BUSINESS WEEK
JUNE 6, 1959

coast is Kealahou Bay, a beautiful swimming and boating spot. Leading hotels are **Kona Inn** and **Waiola Lodge**.

Maui. Probably the most "away-from-it-all" place in the islands, and one of the plushest, is the Hotel Hana-Maui. Rates for its 50 rooms start at \$26 a day single and \$20 per person double (American plan). **There's a small golf course and swimming pool, with a beach nearby.**

Other popular hostelrys on Maui are **Pioneer Inn** at Lahaina, a sleepy fishing port, and **Maui Palms**, at Kahului, a pleasant stopover spot.

Kauai. Its attractions range from rice paddies to Waimea Canyon, often referred to as Little Grand Canyon. Best hotels are **Kauai Inn** and **Coco Palms**, which stages a dramatic torch-lighting ceremony for guests.

—●—

The National Better Business Bureau warns that overweight Americans are being filched of millions of dollars annually through the purchase of fad diet foods and spurious reducing remedies. The moral, of course, is to consult a physician if you really want to knock off weight.

Two new books, nontechnical and easy-to-follow, shed some light on the subject: **This Slimming Business**, by John Yudkin (Macmillan, \$3), and **Low Fat Cookery**, by Stead & Warren (McGraw-Hill, \$4.50)

Speaking of how to diet, a simple formula for preventing overweight would eliminate the waistline problem for younger people, according to the chairman of the American Heart Assn.'s Nutrition Committee. **Dr. Herbert Pollack says that overweight can be prevented by cutting food consumption by 1% every year after age 25.** Obesity gets to be a problem, he says, not because people eat more as they grow older but because they continue to eat the same amount despite a lessening requirement.

Another warning on health comes from the American Medical Assn. Extended use of "pep pills" containing amphetamine sulphate (sometimes used by athletes) may cause **dangerous side effects**, including changes in brain function, says AMA. The announcement serves as a reminder that amphetamine-type drugs, frequently prescribed for illnesses, should be taken only as your physician advises. One "psychomotor" stimulant that is an amphetamine derivative is Dexedrine (BW—Apr.14'58,p145).

—●—

The Sophisticated Investor: A Guide to Stockmarket Profits, by the New York Times' Burton Crane, is filled with useful and interesting information for investors, large and small. It lives up to its title—even the sophisticated trader will find it readable (Simon & Schuster, \$3 95).

—●—

Potpourri: A sample study reveals that **smokers marry more often**, move more frequently, change jobs more often, are more times in the hospital, and participate in more sports than nonsmokers. . . . If you're planning a visit to Europe this year, you'll find these helpful: **Traveler's Guide to Europe's Art**, covering over 200 art centers in 12 countries (Crown, \$5); and a pocket-size **European money calculator** (Reuter & Co., 562 Fifth Ave., New York 36; 50¢). . . . **A worldwide no-tipping policy** has been agreed upon by 87 member airlines of the International Air Transport Assn. . . . **Weekly jet flights** have begun between New York and Buenos Aires with stops at Rio de Janeiro and Trinidad (13 hours).



EXPANSION JOINTS



How to keep your cost accountant contented

Just ask him to amortize the cost of a U.S. Rubber Expansion Joint.

He will have a pleasant time discovering that these joints never seem to wear out. Some have been in use for 30 years and are as sturdy as ever. No other rubber expansion joints have been in use that long.

"U.S." Expansion Joints are the only joints that have withstood this test of time. As for value, "U.S." Expansion Joints remain the cost accountant's delight. Other so-called "just-as-good" joints costing a few dollars less can rob you of many times their complete cost when they cause downtime.

Your accountant will tell you that "U.S." Expansion Joints comprise shrewd, logical insurance. These joints are the economical, flexible connections used in all kinds of pipe lines to take care of misalignment, vibration, expansion, contraction and noise transmission. No moving parts to wear or bind; can be installed on new or old equipment.

• • •

When you think of rubber, think of your "U.S." Distributer. He's your best on-the-spot source of technical aid, quick delivery and quality industrial rubber products.



Mechanical Goods Division

United States Rubber

WORLD'S LARGEST MANUFACTURER OF INDUSTRIAL RUBBER PRODUCTS

Rockefeller Center, New York 20, N.Y.

In Canada: Dominion Rubber Company, Ltd.

RESEARCH IS WHERE YOU FIND IT



Then came the holocaust...

It was a fine piece of work... a big contribution to petroleum technology! In the face of long-accepted chemical theory, this UOP researcher had done the impossible... reacted a paraffin (a supposedly inert material) with an olefin to form alkylate, which has since become the principal component of high-octane gasolines.

But where was the need for such fuels... then? They were hardly thought of, much less in demand. And so followed the shelving of a great new development...

Then came war... war in the air! In no time at all, huge fleets of aircraft were gobbling up high-octane fuels on a scale never before contemplated. As is so frequently the case, UOP was ready. Its new process, "HF" Alkylation, enabled refiners to meet these urgent demands... by producing veritable rivers of once-so-scarce alkylate.

Today, this great UOP process is in worldwide use, and constantly finding increasing application. Another example of how UOP research anticipates the needs of petroleum refiners, and of the industries they serve!



**UNIVERSAL OIL PRODUCTS
COMPANY** 30 ALGONQUIN ROAD
DES PLAINES, ILLINOIS, U. S. A.

*More Than 40 Years Of Leadership In Petroleum
Refining Technology*

In Research

• • •

Discover Insecticide That Kills

By Swift Disease, Harmless to Man

For generations, scientists have sought a potent insecticide with long-lasting effect on farm pests but none on human beings who eventually eat the fruit and vegetables. Now they may have found it in a **microbial insecticide that quickly makes insect larvae fatally ill but has no effect on people, warm-blooded animals, or even fish.**

First of the new family of insecticides, tentatively approved by the Food & Drug Administration for field tests, is given the trade name of **Thuricide**. Test batches are being produced by Bioferm Corp. of Wasco, Calif., for distribution by Stauffer Chemical Co. Tests are already being run on it by the Agriculture Dept., state agricultural stations, and a few private company laboratories.

This particular bacterial strain was isolated as far back as 1911 by Emile Berliner, but its full potential has been only recently explored. Thuricide seems particularly effective against such chewing larvae as the alfalfa caterpillar, the cabbage looper, and the tomato and tobacco hornworm. Researchers expect other microbial insecticides to work equally well against other types of insect. Merck, Rohm & Haas, Pfizer, and Upjohn are all reported to be researching in the field.

Most modern pesticides—and there has been a steady stream of them from the laboratories in recent years—poison insects on contact or when eaten. A microbial insecticide is a living substance, made up of the live spores of a microorganism. **It kills through quick-acting infection of the insect.**

Unlike the poisons, the microbial insecticide can be safely eaten by man and by wildlife; it is apparently not affected by cold, and it remains stable and effective for at least a year.

The trick is to find the proper strain of spores and cultivate it as active bacteria. This is basically a fermentation research problem—one that seems to be on the verge of being solved.

• • •

New Wind Tunnel in California

Blows Very Fast and Very Hot

The first large-scale wind tunnel capable of simulating many of the high-temperature effects in upper-altitude supersonic flights has gone into operation at the University of California's Engineering Field Station at Richmond, Calif. The tunnel has already achieved speeds more than six times the speed of sound (or nearly 7,000 mph.) and researchers expect ultimately to be able to produce speeds around 10 times that of sound.

The fundamental difference between this wind tunnel and most others that have been built in the U.S. in

recent years (BW—Nov. 2, '57, p194) is that it heats its gases to around 5,000C. This is done by passing the gases through an intense electric arc (15,000C to 20,000C) before they enter the tunnel.

The electric arc method of raising gas temperatures in the California wind tunnel has another useful side. It ionizes and disassociates some gaseous molecules, a phenomenon that also occurs at high altitudes, with important effects on supersonic flight. Thus, it's hoped that the big new California wind tunnel will help in studying the baffling problems involved in the flow of ionized gases that must be solved in developing certain types of propulsion systems—particularly ion propulsion.

• • •

Telemetry Students Seek Better Ways To Receive Reports From the Heavens

Telemetry—the art of automatically transmitting data collected by instruments, as from an earth satellite—is in the process of startling change. This was apparent last week at a National Telemetering Conference in Denver, sponsored by the American Rocket Society, the American Institute of Electrical Engineers, the Institute of Aeronautical Sciences, and the Instrument Society of America and attended by more than 1,000 research scientists.

The reason for the upheaval, of course, is that man's strides toward space are putting severe demands on researchers in telemetry. **Rocket and missile designers need telemetering components that are smaller, lighter, tougher, and more reliable than ever.**

For example, in a nuclear rocket, atomic activity could well change not only the relation of the telemetering equipment's parts but also the very materials out of which they are made. The gear must be able to withstand this as well as fantastically high temperatures.

Telemetering researchers must also learn how to deal with another problem—the ionization, or layer of charged atoms, that builds up around any object speeding in space because of a combination of heat and pressure. Ordinary radio waves are upset by this layer. The latest idea for a solution is to make the charged atoms part of the telemetering system itself by causing them to pulse and send a signal. But no one has figured out how to do so yet.

The most pressing task at the moment, however, is to make telemetering equipment smaller and lighter than ever. This so-called microminiaturization is important because the smaller and lighter each instrument, the more data that can be collected. Components the size of a matchbox are already doing the work of the big tubes of a decade ago; some are so tiny that 100,000 can be packed into 1 cu. ft. **Before long, speakers at the conference predicted, 5-million to 50-million components will be accommodated within the same space.**

At the Denver meeting, most of the scientists were under 40 and from small, comparatively unknown companies. According to one count, 80% of the outfits represented were less than 10 years old. Most large companies apparently are shying from telemetry research because the field is changing so fast that large-scale production of any item is almost impossible.

Magazines Try a Regional Pitch

Breaking up their national editions . . .

LOOK

splits its *Magazone* run into these seven zones to catch regional advertising lineage . . .



Woman's Day

carves up the country in this manner to satisfy regional tastes of food advertisers and . . .



TRUE

THE MAN'S MAGAZINE

is catering to liquor advertisers with this pattern for its Monopoly States Edition



Look magazine's recent unveiling of its "Magazone" plan (map), tailored to attract regional advertising (BW—May 16 '59, p62), has precipitated swift reaction from its close competitors.

Life followed Look's announcement by a few days with the disclosure that it will publish a special Western advertising section once monthly, beginning with its Aug. 24 issue. The Saturday Evening Post, which had been quietly preparing its own regional advertising plan for announcement two years hence, suddenly decided it was "ready ahead of time," and revealed last week the outline of its "Select-A-Market" program.

These rapid-fire actions by three major national magazines underscore their determination to mine a virgin vein of advertising revenue. By offering advertising space in selected portions of their national circulation, these magazines can attract orders from a broad band of companies with particularized distribution patterns. For these companies, much of a national magazine's coverage is ineffective, and its cost becomes prohibitive.

The magazines' selective advertising plans will appeal to such advertisers as:

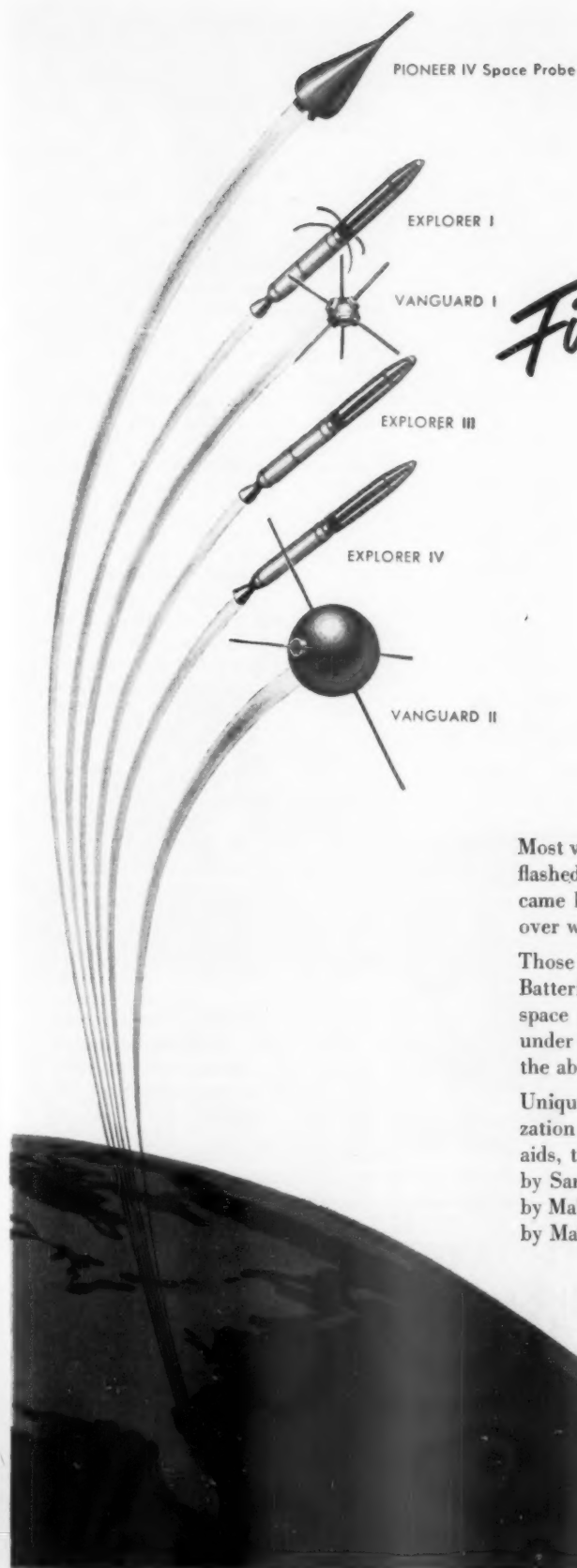
- Gasoline companies legally restricted to selling only in certain states.
- Brewers and distillers with localized distribution.
- Resorts, restaurants, retail establishments that draw from a limited area.
- A variety of companies offering products suited for special climatic or seasonal conditions such as snow tires, tornado insurance, convertible cars.

• **Western Pioneers**—These moves by Look, Life, and the Post probably foreshadow a general trend toward magazine penetration of the regional advertising market. But these three giants will encounter plenty of competition from an assortment of pioneer publications which have already staked out claims with various regional editions.

The existing roster of regionals includes a thick pack of national magazines that have recognized the West (generally the area west of the Continental Divide) as a separate marketing area. For example, Reader's Digest, Newsweek, and Better Homes and Gardens preceded Life in offering special Western advertising sections.

Perhaps the most regionalized of all, Sunset started as a general Western magazine—then decided this was too broad, split into three distinct editions, one for each section of the West.

At the other end of the country, the New Yorker has an Out-of-Town Edition for national coverage, and a City Edition, which accepts in addition re-



First In Space...

MALLORY Mercury Batteries

Most valuable payoff on a satellite or space probe are the secrets flashed by radio to earthbound scientists. Reports from Pioneer IV came back from as far out as 407,000 miles—greatest distance over which a radio signal has ever been received.

Those history-making messages were powered by Mallory Mercury Batteries that were selected for satellite duty early in the nation's space program. Tiny but powerful, they deliver steady output under extreme temperature ranges for many vital hours beyond the abilities of ordinary batteries.

Unique mercury batteries, an important factor in the miniaturization of portable military communication equipment, hearing aids, transistor radios and pocket tape recorders, were invented by Samuel Ruben, a long-time Mallory associate, and developed by Mallory over some 15 years. They are another unusual "first" by Mallory—the company at home in tomorrow.

P. R. MALLORY & CO. Inc.
MALLORY

P. R. MALLORY & CO., INC., INDIANAPOLIS 4, INDIANA

Electronic, Electrical & Special Metal Components • Dry Battery Systems • Semiconductors • Timer Switches



HAMILTON . . . the recognized standard in Employee Awards

Put new meaning into Employee Service, Safety and Sales Incentive Awards. Choose Hamilton, the Award Watch selected by more companies than all other watches combined. Only Hamilton offers a choice of self-winding, conventional and the new Electric watches.

Thin-O-Matic
T-200, \$150.

Other Hamilton self-winding
watches from \$65. to \$225.

Send For Your Copy!

"Survey of Employee Award Practices"

Latest report on current employee
award practices by business and
industry. Write Dept. B-61, Presen-
tation Sales, Hamilton Watch
Company, Lancaster, Pa.



HAMILTON

CREATOR OF THE WORLD'S FIRST ELECTRIC WATCH



IT GLIDES!

SNAPPIN' TURTLE

America's finest power mower

Exclusive features make it the smoothest cutting,
easiest handling, most durable power mower
made. There's a model for every need, including
riding mowers. Try one on your lawn!

Write for free brochure
and dealer name

McDONOUGH POWER EQUIPMENT, INC.
McDonough 5, Ga., U.S.A.



As a reader of **BUSINESS
WEEK**, you are served by the
largest world-wide network
of business news reporters
maintained by any magazine.

gional ads aimed at the New York metropolitan area and surrounding counties.

• **Specialized Pitch**—Some of the more specialized magazines have ventured much further into regionalization. Sports Illustrated courts advertisers in four different sections of the U.S. with regional space availabilities ranging from an Eastern "edition" running every week to a Southern "edition" once a month. Playboy attributes a good measure of its big growth record to aggressive promotion of its four regional offerings. It estimates fully one-fifth of its current advertising revenues come from regional ads, expects this source to "get bigger all the time."

True, one of the "male" magazines, was the first to devise the checkerboard arrangement illustrated in the map on page 126. This was for the benefit of liquor companies, its most important group of advertisers. True's Monopoly States Edition runs only in those states where government restricts sale of liquor to state-controlled stores.

Since state control rules out normal point-of-purchase sales aids, the Monopoly States Edition has had heavy patronage from liquor companies as one of the few available avenues to stimulate consumer demand.

The so-called "store books," Woman's Day and Everywoman's Family Circle, have jigsawed the U.S. and Canada into some most peculiar patterns (map, page 126). But the apparently crazy-quilt sectional divisions actually conform closely to the distribution patterns of most food manufacturers—the advertising group that accounts for at least 60% of the store books' ad revenues.

These sectional divisions represent the refinement of over two decades' experience in running sectional issues.

TV Guide, with its string of 51 quasi-local editions, probably rates the title of the most regionalized of the national magazines. Fully half of its ad revenues flow in from regional advertising. This situation has to be considered, however, in relation to the magazine's unique function. TV Guide's main editorial material is programming information, much of which varies from locality to locality. And the great bulk of its advertising consists of program plugs that are subjected to the same local variations.

• **Being Two In One**—How can a magazine be both regional and national at the same time? Practically all of the "regional editions" consist in reality of the full national issue with extra regional page units added in. Technical considerations make four pages the smallest practicable additional unit, except for the store books.

The various magazines handle this production hurdle in different ways. Life, and probably the Post, will refuse



"We decided to try New York Central's Flexi-Van when Albany-Chicago service first opened," says Walter Condon, transportation director for B. T. Babbitt, Inc. plants across the country. "It was a risk; any change in a shipping pattern is. *But Flexi-Van rates and reduced handling costs have helped us cut transportation costs to Chicago 30%! We ship six vans a week; get second-morning delivery.*"

W. G. Condon says: "Flexi-Van helped Bab-O cut transportation costs 30%!"



"Babbitt has a name for dependability, likes to do business with dependable companies. Central personnel have the reputation for staying on top of the job."



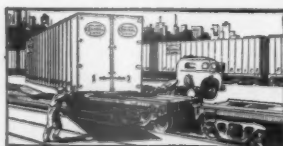
"Vans arrive clean, dry, ready to load. We pack in 37,000 pounds of cleanser. No dunnage is needed. These babies ride smooth."



"Shipment stays sealed till it reaches our Chicago warehouse. Fast service lets us keep inventories small—even with big promotion runs on Bab-O, Glim, and other brands."



Your freight is loaded, locked in under your supervision.



Van boards freight at trackside. Transfer time, 4 minutes.



Shipment rides low, well cushioned aboard high-speed cars.

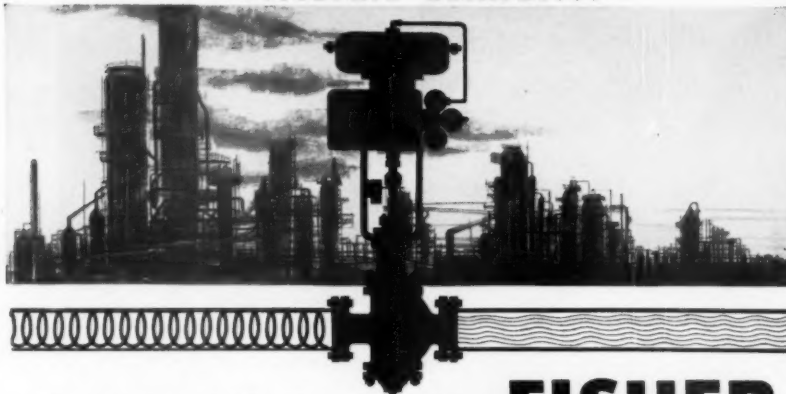


Beats trucks on long hauls. Two pick-ups or three deliveries.

New York Central Railroad

Write: Flexi-Van, 466 Lexington Ave., New York 17, N.Y.

Wherever the World's Basic Energy Needs Accurate Control...



Chances are it's Controlled by **FISHER**

Basic energy . . . liquids, gases or steam . . . whatever the form, industry demands extremely accurate control for modern automation technology.

For three quarters of a century Fisher's policy of "a step ahead" of current requirements has been responsible for the universal acceptance of Fisher pressure and liquid level controls by engineers in every field of industry.

If it flows through pipe anywhere in the world . . . chances are it's controlled by . . .
FISHER GOVERNOR COMPANY
Coraopolis, Pa. Woodstock, Ont. / London, England



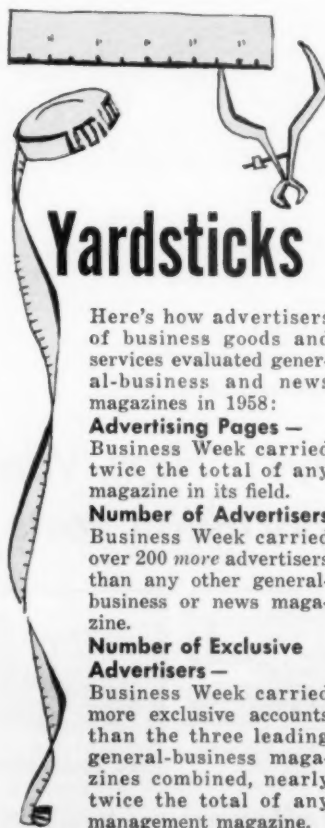
MAIN OFFICE AND PLANT - MARSHALLTOWN, IOWA

100,000,000 PEOPLE KNOW THIS CONVENIENCE



Your appliances will have more sales appeal with no-Knot Coiled Cords, Mr. Manufacturer. No-Knot Cords are safer, neater, self-storing. Proved in principle on 100 million phones. No need to redesign your product . . . add no-Knot Appliance Coiled Cords anytime!

Now available in HPN, Type SP and Types SV, SJ . . . covering full appliance range.



Here's how advertisers of business goods and services evaluated general-business and news magazines in 1958:

Advertising Pages —

Business Week carried twice the total of any magazine in its field.

Number of Advertisers

Business Week carried over 200 more advertisers than any other general-business or news magazine.

Number of Exclusive Advertisers —

Business Week carried more exclusive accounts than the three leading general-business magazines combined, nearly twice the total of any management magazine.

to accept regional ads unless they can assemble enough orders to fill each four-page unit. Sports Illustrated fills any "holes" with "house ads"—advertisements plugging the magazine itself—or with editorial features of special regional interest.

Look, whose offer of seven distinct advertising zones presents an especially intricate production problem, plans to put "self-contained" editorial matter in any unsold advertising space.

• **Extra Charge**—But regionals pose a number of other problems to bedevil a publisher. Postal regulations impose severe penalties for any gimmickry that tends to turn a magazine primarily into a promotional tool. Production and distribution troubles increase with higher circulation and tighter deadlines.

Publications try to offset these difficulties by charging premiums for regional advertising. An advertiser inserting a single black-and-white page ad in Look's New England and Middle Atlantic zone editions, for example, would pay \$4.87 per 1,000 circulation. The same ad would cost \$4.14 per 1,000 in Look's full national edition.

But it's doubtful that these premium charges will compensate publications, particularly the big national magazines, for the manifold extra hazards of regionals unless regionals generate significant additional advertising volume.

• **Fighting Off TV**—The plunge into regionals really represents another round in the national magazines' efforts to grapple with the strapping young giant of TV. Says True's ad manager, Clifford Curtis: "TV has forced us into offering regionals—we're not doing this just as a service. There's no question that TV has been hurting us."

It's not the specialty magazines, though, that have felt the main force of TV's insatiable appetite for ad dollars. Such publications as True, Esquire, and Sports Illustrated have been able to sell the concept that they reach special audiences whose definable tastes make them prime prospects for certain classes of products. But the giant national magazines for years sold their ad space as an entree to the mass market afforded by their huge circulations.

As TV audiences vaulted into the tens of millions, the giant magazines shifted their pitch to an attempt to prove that they provided access to a higher caliber audience. Life commissioned a massive survey whose results portrayed Life readers as an exceptional market for consumer products. The Post came up with a study claiming that its readers—the "Post Influentials"—were the Joneses that other people tried to keep up with.

More recently, some of the nationals have banded together in ads designed to show that advertisements placed in several national magazines

Dallas' NEW SOUTHLAND CENTER

**supplied with
12,000 kva
of electricity**

Served by six Wagner Underground Network

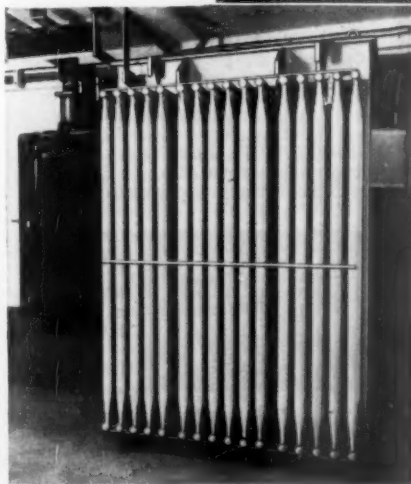
Transformers Dallas' fabulous new Southland Center consists of the 42-story Southland Life Tower, tallest building west of the Mississippi, and the 600-room Sheraton-Dallas Hotel. A "City within a City," the Southland Center is an enormous consumer of electric power. For example, there is a 6,450 ton electrically-driven air conditioning system—fourth largest in the world!

Dallas Power and Light Company, who supplies this power, has installed six 2,000 kva underground network transformers in the basement of the building to assure continuous electrical service to the Center. The transformers were supplied by Wagner.

Wagner Network Transformers are built for installations of this type. They have a low noise level... they are small in size to fit in close quarters, and now have a compact switch and panel radiators for smoother contour and easier maintenance.

Wagner makes a complete range of transformers for industrial and power company needs. Consult your nearby Wagner Sales Engineer about your power distribution program. There are Wagner branches in 32 principal cities.

Southland Center has 296 miles of electrical wiring... 15,800 lighting fixtures... 28 elevators... 8 escalators and an all-electric company cafeteria.



SERVING 2 GREAT GROWTH INDUSTRIES...
ELECTRICAL... AUTOMOTIVE

Wagner Electric Corporation

6460 PLYMOUTH AVENUE, ST. LOUIS 33, MISSOURI

BRANCHES AND DISTRIBUTORS IN ALL PRINCIPAL CITIES

This
business-building
gift is a
**Conversation
Piece!**



Scripto
WINDGUARD
VU-lighter

**LETS YOU KNOW
WHEN THE FUEL IS LOW!**

You can't take a Vu-Lighter from your pocket without having friends admire it. It's the one different lighter—with the only fuel reservoir that lets you know when the fuel is low! Unconditionally guaranteed.

Ideal as a good-will gift—and so inexpensive in quantities of 25 or more.



YOUR OWN TRADEMARK or name inserted in the transparent fuel reservoir.

For name of your local distributor write:

Scripto **VU-lighter**
Box 4996, Atlanta, Georgia

reach a bigger—and richer—audience than TV.

• **New Stratagems**—This rare show of unanimity seems sure to melt as Life, Look, and the Post try new stratagems contrived to gain ascendancy in the national magazine race. In circulation, these three competitors are bunching unusually close together, all three now reaching circulations of slightly over or under 6-million.

Life's main effort now seems directed toward winning undisputed possession of first place in circulation. It recently lowered newsstand and subscription prices in an attempt to boost its circulation to 6.5-million (BW—May 9'59, p49). But some observers think Life intends to use its Western ad section—and the regional editions of its brother publication, Sports Illustrated—to test the feasibility of going heavily into regionals.

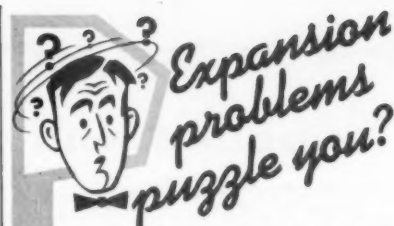
Look's "Magazone" plan seems designed to exploit the production advantage it enjoys over its two big weekly competitors. Because it publishes fortnightly, Look is better prepared to perform the delicate juggling required in balancing ads and editorial from its seven zones. Its "Magazone" plan offers advertisers insertions in one or more of the seven zones, with the possibility of different ads in different regions.

Look got into regionals partly because of its desire to provide a more flexible advertising package than the "split-runs" it has offered since 1955. Under the split-run system—currently offered by almost all consumer magazines—two or more advertisers can agree to take the same advertising space. Then they split up the country along state lines.

Last year Look achieved what it considers the record split—a four-way deal involving a retail store, an insurance company, a food manufacturer, and a brewery. "But," says Look's Gilbert Maurer, "for every successful split, there were a dozen we couldn't arrange. And even on the successful ones, there was usually a lot of dickering over who got which sections of the country."

The Post's "Select-A-Market" plan sounds in some ways even more ambitious. The Post offers tailor-made regional patterns, giving an advertiser coverage in any "reasonable number" of contiguous states he specifies. Alternatively, it offers segments cutting evenly across its entire circulation. An advertiser can choose to go, for example, to two of three readers—or every third reader.

Some observers question the Post's ability to handle the production problems entailed, point out that it reserves the right to refuse "Select-A-Market" orders within 48 hours. The Post claims it has a large reservoir of applicants, including disappointed split-run prospects. **END**



**LET US HELP YOU FIND
A DESIRABLE LOCATION**

in West Virginia

In the coming years nearness to abundant raw materials, basic products and markets may be the difference in building a prosperous future West Virginia has many advantages for industry . . . manufacturing, processing, fabricating.

There is a good supply of skilled and versatile workers in West Virginia for new or expanding industries. And West Virginia is a great place to live with its 20 State Parks, 9 State Forests and 2 National Forests.

West Virginia

For complete, confidential information write or phone: Don Crislip, Executive Director, West Virginia Industrial and Publicity Commission, State Capitol Building, Room BW-2, Charleston 5, West Virginia.

at your next meeting
1 BIG picture
will be worth 10,000 words



...this new
VU-LYTE II
shows BIG, clear
pictures on a
screen or wall.
No slides are
needed.

Beseler's VU-LYTE II
Opaque Projector projects
your charts, maps, papers, your
watch, this magazine, anything.
It projects instantly, in full color or black
and white, to a meeting of from 4 to 400.
The VU-LYTE II is simple, quick,
precise. It is your most effective aide to
successful business communications.

**THE VU-LYTE II
IS TO THE EYE
WHAT A LOUDSPEAKER
IS TO THE EAR**

Write for a Free
Demonstration,
and ask for
the brochure:
"11 Checkpoints
For Better Visual
Meetings".

CHARLES Beseler COMPANY
EAST ORANGE, NEW JERSEY

How to build better schools *with corrugated boxes*

Using boxes to build better schools was a new challenge for Stone Container Corp. The challenge had come from the Advertising Council. Stone's answer was a "package deal".

What was done?

Stone Container knew the average carton was seen by hundreds of people as it traveled toward the market place. If each of the hundreds of thousands of cartons they produced carried an Advertising Council message—the fight for better schools, or for fewer accidents and forest fires, would indeed be aided by a "package deal".

Stone prepared printing plates covering each of these Council campaigns:

ACTION

Aid to Higher Education
Better Schools
Forest Fire Prevention
Keep America Beautiful
Religion in American Life
Stop Accidents
United Fund Campaigns
U.S. Savings Bonds

They offered to print, free of charge, the campaign's message on cartons ordered by any of their clients. Thus, the client becomes a contributor to public service, too.

Company benefits

Two letters describing this program were sent to advertising and management executives in many companies. This provides, according to Norman H. Stone, President, a "good opportunity

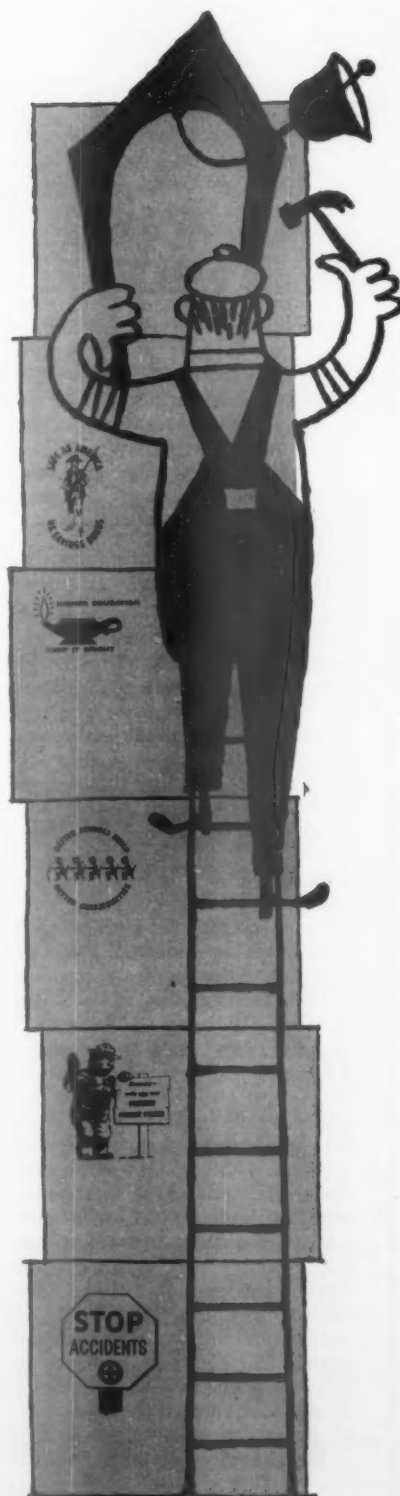
to get contacts in depth. Advertising Council committee members themselves are business executives and we accrue some benefits from that".

You, too, can benefit

You help your company earn a better business climate by tying in with the Advertising Council. The Council offers free advertising materials for company publications, reproduction proofs of advertisements or "drop-ins", mats for newspaper advertisements, posters for bulletin boards, etc.

Do what you can to get your company to use these materials. Or maybe you, like Stone Container, can come up with a completely new way to help. Find out how you can tie in by sending the coupon below, or calling the Advertising Council branch office nearest you. Branches in Chicago, Los Angeles and Washington, D. C.

Materials—reproduction proofs, posters, radio and TV spots—are free.



THE ADVERTISING COUNCIL, INC.,
25 West 45th Street,
New York 36, New York

Please tell me how I can tie in with Council campaigns—and earn a better business climate.



NAME _____

COMPANY _____

ADDRESS _____

SUSIE THE SECRETARY SAYS:

*"Kelvinator's
got the idea"*



"You see, they know working people need cool drinks—and lots of them. That's why Kelvinator engineers developed some new things called the Pre-cooler and the Capacity Booster. Together, they more than double the amount of available cool water at no extra cost."

"And for years now, all Kelvinator Water Coolers have had that beautiful stainless steel no-splash divided top . . . and the trouble-free Bubbler that never, never squirts."

"What's more, Kelvinator knows how you can reduce lost time, save thousands of dollars a year and keep your employees happy. It's all in an interesting book titled, 'Something New Has Been Added To Water Coolers.' You really should read it. For a free copy, write Kelvinator Water Coolers, Dept. 66, Columbus 13, Ohio."

Kelvinator
WATER COOLERS

MADE IN PRESSURE AND BOTTLE MODELS

Sold coast to coast—rented in many cities
Distributed in Canada by Kelvinator of Canada, Ltd.

THE MARKETING PATTERN

Room for More Diversity

THERE'S a significance beyond the magazine business in the spread of regional and more flexible national editions (page 126).

Superficially, the trend can be looked upon simply as one advertising medium's strategy to compete against other media's claims on consumer advertisers' dollars.

But it is more important than that. It is another clear cut recognition of a couple of basic changes in U.S. marketing. Both run counter to a long-term cycle in the economy—the standardization of the mass market for everything from toothpaste to motor cars. Now, though, you can see:

- A growing regionalization of mass marketing techniques.
- Development of specialized markets big enough to command mass marketing treatment.

In both cases, new demands for flexibility—in product development and in merchandising products—are putting strains on well-tried marketing methods of postwar prosperity. It is becoming increasingly clear that today you no longer have to serve the U.S. as a whole to become a major producer or merchandiser. For the fact is that population growth in the suburbs and other areas once considered marginal marketing centers has made the U.S. a conglomeration of regional mass markets. These areas are more than big enough by themselves to support the kind of heavy merchandising and close attention that until a few years ago was confined to the U.S. market as a whole.

MORE AND MORE you can see evidence of the special attention—with the flexibility that implies—which national manufacturers are giving local or regional markets. There is, for instance, the unexpected rebirth of local radio, at the expense of networks. Spot television, with its market-by-market approach, is booming, too. Regional super-market chains have become powerful instruments of distribution not only for national brands, but for their own private brands. Such localized merchandising is no longer the weak, un-economic link in distribution.

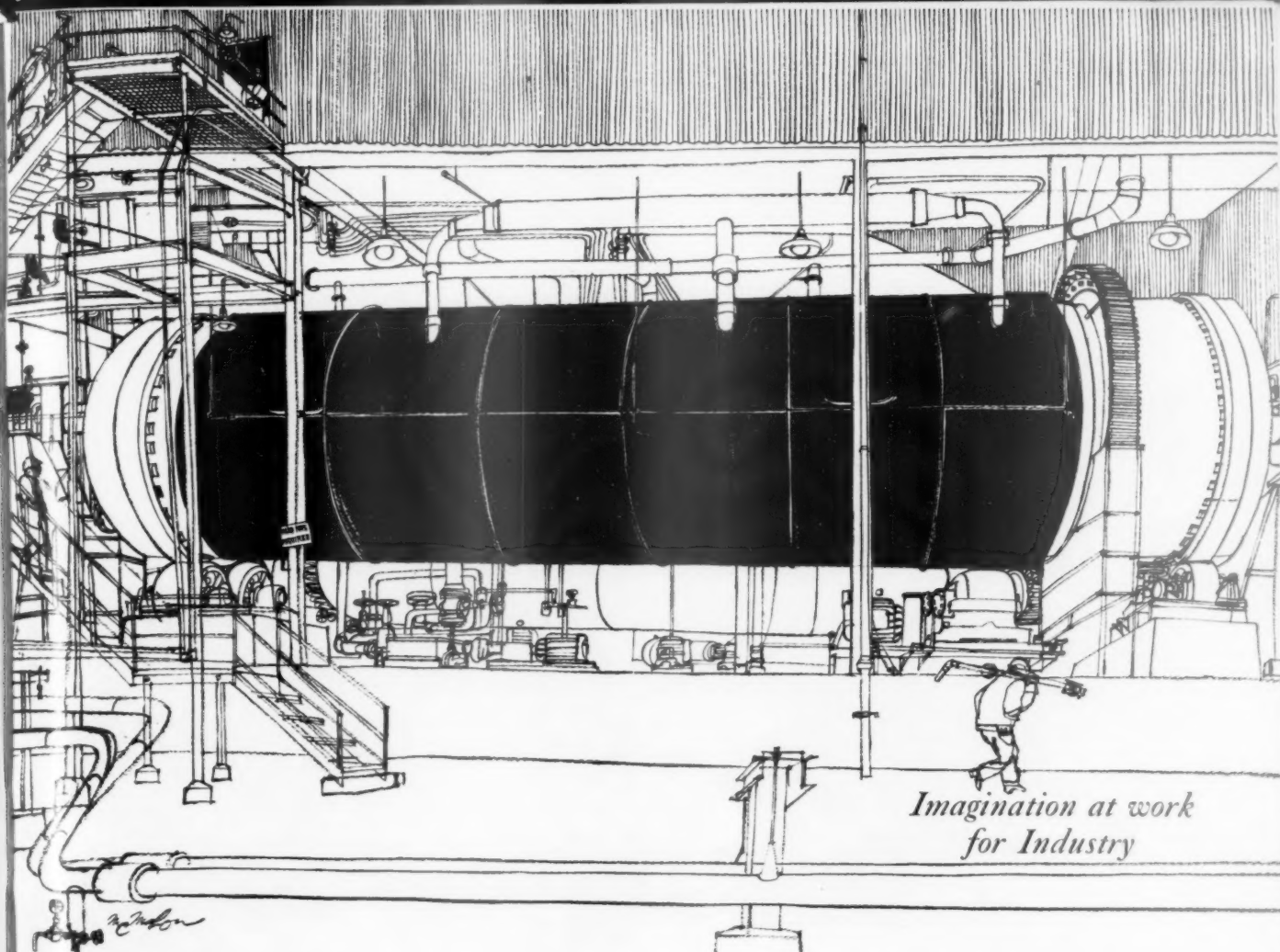
This is not to say that national

brands or national distribution are passe. But it does imply that successful operation today almost certainly depends on giving more and more flexibility, based on regional competitive situations, to merchandising and distribution plans. There is a multiplicity of areas big enough to command individual attention and, if necessary, specialized treatment. Successful big chains—such as Sears, Roebuck, A&P, Federated Dept. Stores—though national in scope have held onto their regional characteristics by relying on local merchandising decisions. The big Safeway grocery chain dropped its highly centralized merchandising and management policies to meet the problem of shifting competitive conditions in local situations.

RIGHT ALONG with this trend toward greater market flexibility goes a less pronounced shift, but one that may become even more important. That is the development of large markets for specialized products. We may have passed the time when the number of people able and ready to buy a particular kind of product was limited to such an extent that mass production—with all its economies—was possible only by restricting choices offered. A car was a car, with little functional variation. Now, though, there are groups of people large enough and rich enough to support mass output of special products.

Perhaps no industry over the years became quite as standardized in the products it offered the public as the automobile trade. But this year the big auto manufacturers are openly admitting they left a gaping hole in their market that up to now has been filled by small foreign cars and domestic compact models. The Big Three are out to catch up. In fact, the head of Dodge recently told a group of sales executives that Americans are becoming more interested in cars for specialized purposes and predicted Detroit "will make cars tailored to these needs."

Such tailor-made production, embracing the same kind of flexibility that merchandising now requires, is an exciting possibility in what promises to become a far more diverse U.S. mass market.



*Imagination at work
for Industry*

General American builds laboratory accuracy into a production-size 45-foot rotary reactor

This piece of processing machinery for the chemical industry is a 3500 cubic foot rotary reactor built by General American's Louisville Dryer Division. Into it are fed a solid and a liquid. As they are mixed, a reaction takes place and a new solid results. Internal temperature is critical. That's why engineers had to take into account the heat of reaction and add just enough heat from steam coils to hold 125° F. within narrow limits. Flexibility of design permits this same equipment to perform with equal accuracy when removal of heat is required.

While the nature of the product, a trade secret,

is of interest to a limited few, the research, design and manufacturing efficiency that enables this reactor to approach laboratory standards in performance is important—and available—to everyone in industry.

Whether your problems relate to transportation or storage . . . to mixing, drying or conveying . . . to nickel coating, plastics molding or fastening, General American's broad experience and directed imagination can help you solve them.

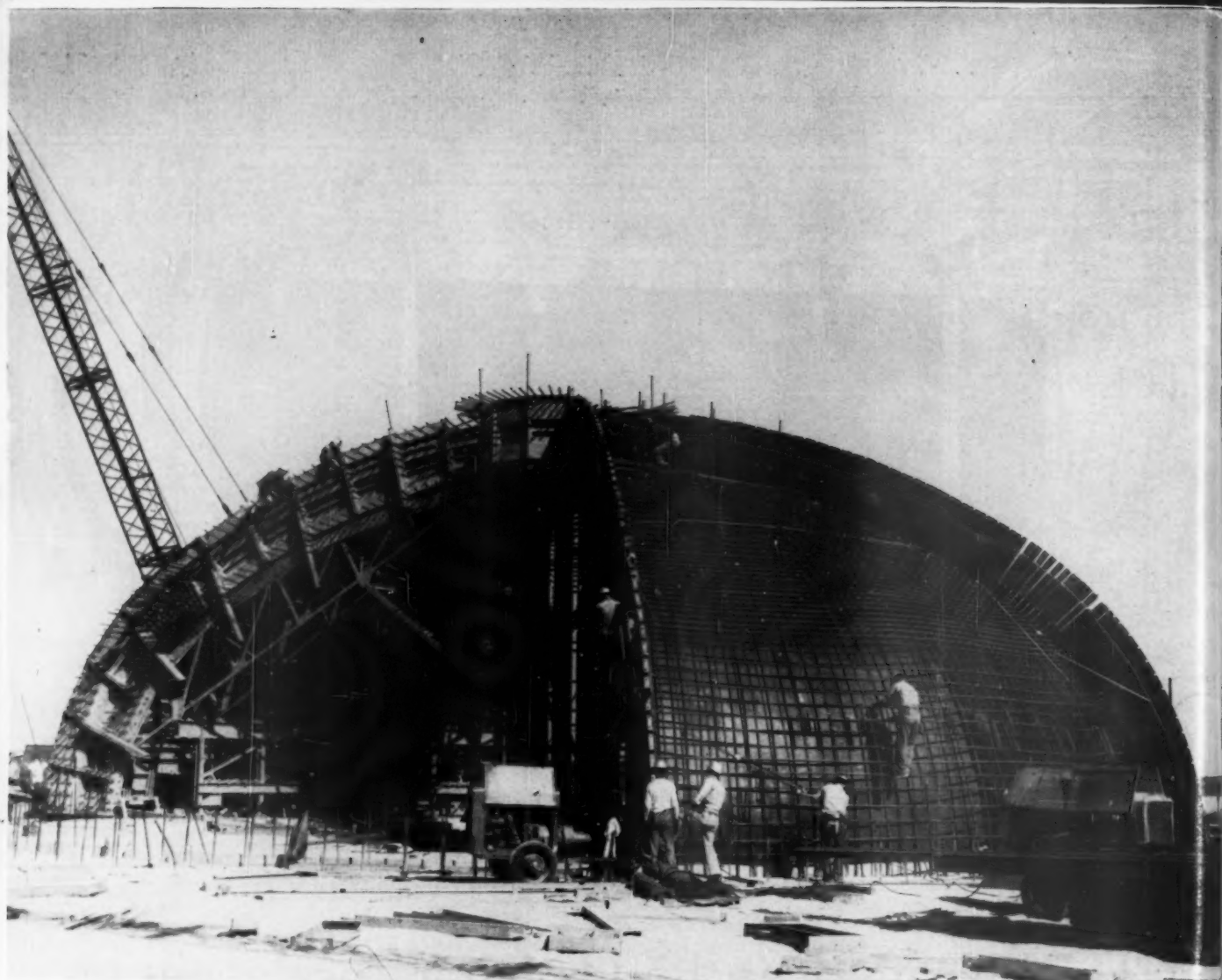
Whatever you manufacture or mine, process or ship, let us show you why *it pays to plan with General American.*

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135 South LaSalle Street, Chicago 90, Illinois



Offices in principal cities



CONCRETE "IGLOO" FOR MISSILEMEN SHAPES UP. Workmen are readying a Blaw-Knox steel form, prior to pouring the concrete dome for a personnel bunker—26 feet high and 80 feet in diameter. Four of these protective pillboxes were built with specially designed Blaw-Knox forms at the Air Force Missile Test Center, Cape Canaveral, Florida.

SPECIFICATION: Pour massive concrete missile domes, using steel forms removable through 6x8-foot doorways

—Blaw-Knox ingenuity figured a way, and did the impossible at Cape Canaveral

Safety requirements called for blast-proof block-houses with solid concrete walls 5 to 6½ feet thick, and with the smallest possible exits. The problem was—how to design inside-surface shapes strong enough to support concrete loads weighing 1,266 tons, yet built to telescope for easy removal. Blaw-Knox engineering resourcefulness supplied the answer—collapsible, sectionalized steel forms.

Again Blaw-Knox pioneers, and does what has never been done before. Maybe you have a tough problem that we can tackle and solve. If your company is engaged in construction, in building roads, in rolling and fabricating metals . . . in processing, or communications—you'll be interested in our products and services. Just send for your copy of "This Is Blaw-Knox."

BLAW-KNOX COMPANY

1200 Blaw-Knox Building • 300 Sixth Avenue • Pittsburgh 22, Pennsylvania

In Marketing

• • •

Oil Giants Protect Their Markets Through Deals With Independents

The big oil companies seem more bent than ever on insuring markets for their products. Much of the current rash of activity takes the form of what Platt's Oilgram Price Service (a McGraw-Hill publication) recently described as "buying up or tying up" independents.

Continental Oil Co. is a good case in point. Last week the Houston concern wound up negotiations to buy F. P. Kendall Oil Co., of Chattanooga, Tenn., with 170 service stations in Southeastern states.

This move followed by about a month Continental's purchase of the assets of Western Oil & Fuel Co., Minneapolis marketer that sells refined products through some 300 retail outlets in the north-central area. At the same time, Conoco took over International Refineries, in Wrenshall, Minn., to partially supply Western's needs.

About a week later the company acted to protect its heating oil business in the New York area. It bought Coastal Oil Co., wholesale distributor with two terminals. These terminals will backstop Onco Oil Co., sales subsidiary—without storage facilities—set up by Continental last fall. Continental recently lost a big customer in the New York market when Tennessee Gas Transmission bought Hartol.

Meanwhile, on May 1, the Houston company agreed to lease the Malco refinery at Artesia, N. M., to supplement Conoco's refinery there and to strengthen Continental's hand in the Southwest.

Continental is not alone in these maneuvers. Ohio Oil Co. last week made a purchase agreement for the properties of Detroit's Aurora Gasoline Co. Jersey Standard recently took over Globe Fuel Products, wholesale marketer, of Chicago. And deals by others are reportedly in the works.

• • •

Retailers Are Ahead of Year-Ago, First-Quarter Earnings Reports Show

Big retailers' first-quarter reports so far have a distinctly cheerful sound.

Associated Dry Goods Corp. (BW—May 2'59,p60) reported earnings for the quarter ended May 2, 1959, of \$1.3-million, against \$800,000 in the same 1958 quarter.

Allied Stores Corp. had a net income of \$623,000 for the quarter ended Apr. 30, against a \$122,000 deficit in the same 1958 period.

Broadway-Hale Stores, Inc., in Los Angeles showed a profit increase of "over 25%"—with good prospects for the rest of the year.

Federated Department Stores this week reported record first-quarter sales and income. Net income was \$5-million, topping the 1958 quarter by about \$1-million.

Some of Associated Dry Goods' gain came from the

acquisition of Erie Dry Goods Co. Expansions seem to be the order of the day. Federated Department Stores this week announced it has acquired Goldsmith's, the biggest store of Memphis, Tenn. Broadway-Hale plans a \$20-million expansion in the next three years.

• • •

Supermarket Will Try TV System To Push Point-of-Purchase Sales

On July 15, Store-Video, Inc., will start a trial run of its point-of-purchase television system in two Grand Union supermarkets. The system flashes flip card sales messages simultaneously to 50 monitors suspended over supermarket shelves. Store-Video claims its system "presents the advertiser with the ultimate opportunity to sell a woman while she is in the very act of shopping."

The system runs continuously through a cycle of 60 sales messages for products such as Pepsi-Cola, Carolina Rice, and Esquire Boot Polish. Store-Video figures that each 7-sec. message will be exposed three times during an average shopping tour.

Store-Video will rent store space for its system from the supermarkets, draw its revenue from product advertisers. Rates will probably run around \$1 or less per 1,000 shoppers.

• • •

Philco Introduces Portable TV Set That Runs on Special Batteries

This week Philco broke two years of TV industry suspense when it introduced the first production model portable TV set. Set producers have been nervously eying each other ever since Motorola revealed its prototype portable in 1957. Since that time, most of the TV set producers have demonstrated fully workable lab models of portables.

But two big hurdles have kept the companies from bringing out a marketable model. Portable size required small—and expensive—components, like transistors and special batteries. And nobody has been willing to hazard a guess as to what size market awaits the rather expensive portable set.

Philco will sell its compact unit (15 lb., 783 cu. in., 14-in. screen) for \$250, plus \$5.25 for the battery. The battery runs for four hours without recharging, has a total life of 80 hours. Philco says it has incorporated a couple of recent technical improvements into the set—a battery specially designed for the portable by Ever-ready and a new type transistor.

Philco's competitors have demonstrated even more compact lab models. But two of these companies commented that while they could "crash-program" units into production in time for the Christmas market, these units would be considerably different from their lab models.

Philco may have been prompted to introduce its portable now partly in response to rumors of foreign sets about to appear on the market. Toshiba, big Japanese manufacturer, admits it is currently surveying the U.S. market for portable TV sets, claims it can start exporting into the U.S. by this fall.

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REGISTERED PATENT ATTORNEY

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NEW PRODUCTS

Two Tools in One Cut Better Gears

Internal gears—ring-shaped, with the teeth or slots on the inside of the ring—can be machined more accurately and in about half the usual time with a new tool design that combines two steps in gear-making into one.

The tool ordinarily used is a broach—a steel cylinder with teeth engineered to cut the desired gear shapes. To make a gear, a broach is pushed or pulled through a gear blank under pressure; as it passes through the blank ring, it cuts or grinds the gear shapes on the ring's inner surface.

The process used to take two steps, with one broach for rough cutting and a second for finishing. Now, National Broach & Machine Co., Detroit, working with Warner Gear Div. of Borg-

Warner Corp., has come up with a full-form finishing broach. It makes it possible to broach a gear in one step.

The finishing broach is a shell which fits on a shaft at the end of the main roughing broach, so that one pass of the joined units through the gear blank produces a finished gear. Mounted this way, the finishing broach can be shorter than usual, and its teeth can be ground to closer tolerances than is possible with longer conventional broaches, National says. Precision manufacture and alignment of rough and finish units makes possible more accurate gear making. The removable finishing broach can outwear three roughing sections. Prices range from \$500 to \$8,000, depending on size.

Auto Bumpers That Keep Their Shine

Two new tricks in metallurgy promise to keep the wrinkles, rust, and pitting off of the bumpers and trim of your future automobile.

One is a sandwich bumper developed by Allegheny Ludlum Steel Corp.—a "sandwich" with a mild-steel center and a layer of stainless steel clad on each side. Tests turned up no pitting, peeling, or corrosion on the bumper after two years of experimental service. It's still in the developmental stage, with no date set for commercial availability.

• **Chrome's Entry**—Though stainless steel has been invading the field of automotive trim in window frames, wheel covers, and the like, chromium plating remains dominant for appearance and corrosion resistance. So many automotive observers expect more of a chrome entry in the better bumper race. It's "Duplex Chromium," developed by Metal & Thermit Corp.

Duplex Chromium depends on a process that can plate two layers of chrome to a total thickness of 100 to 200 millionths of an inch—about 10 times as thick as conventional chromium plate.

The two layers are of different kinds of chromium. The first is a bright, crack-free plating that builds up thicker in recesses in the base metal, giving a smoother coat. Over it goes a layer of finely cracked chromium (with cracks so fine they aren't visible to the naked eye). Both layers are so bright and smooth that no buffing is required.

Corrosion is thought to be an electrochemical reaction, similar to what happens in an electric cell. In ordinary chromium plating, tiny defects in the metal are not sufficiently shielded, and all the equivalent of cell potential, or voltage, is concentrated at these defective spots, causing rapid corrosion.

In Duplex Chromium, according to Metal & Thermit officials, the many infinitesimal cracks in the top layer, over the crack-free bottom layer, disperse the electric action over a large area. It seldom or never gets strong enough at any one point to cause corrosion. Metal & Thermit says tests indicate corrosion and rust resistance are up to 500% better than ordinary chromium plating.

Duplex Chromium is now being used by some major producers of electroplated automotive trim.

NEW PRODUCTS BRIEFS

An irrigation sprinkler that looks like an earthbound helicopter is at work on a Hawaiian sugar plantation. Two 70-ft. booms, each bearing 18 nozzles, revolve around a center mast mounted on large wheels like those of an airplane. Water is sucked up from the irrigation ditch through 6-in. aluminum pipe connected to a diesel pump. The pump can operate up to 1,500 ft. from the sprinkler, which distributes 685 gal. a minute over a 1.5-acre area. Maker is W. R. Ames Co., Milpitas, Calif. Price: about \$14,000.

• **An odorless odor killer** is claimed to be unique because it has no masking scent of its own and does not paralyze the sense of smell. It works by a chemical reaction with the odor carrier which results in complete absorption of the odor by the odorless chemical. Its first use will be in hospitals and mortuaries. Marketer: National Cylinder Gas Div. of Chemetron Corp., Chicago. Price: \$350 for a 55-gal. drum of concentrate, \$4.50 a quart.

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What We Gain By Talking to Soviets

It may be a fortunate thing for the West that Nikita Khrushchev cannot keep quiet for very long. In his public utterances, he almost invariably mixes protestations of his peaceful intent with the bullying tone of the dictator. This is a stratagem that is bound to wear thin, once the people of the West realize that Khrushchev's sole purpose is either to cajole or frighten them into one-sided concessions.

The other day, during a visit to Communist Albania, the Soviet Premier said flatly that the Soviet Union had no intention of offering concessions at the Geneva conference of foreign ministers, that the Western leaders had better accept his solution of the Berlin and German issues. This crude effort to talk the West into a diplomatic retreat followed right on the heels of his threat to build Soviet rocket bases in Albania.

It may be that at Geneva the Soviets can be persuaded to take a more reasonable attitude about West Berlin—one that holds out the promise of a compromise settlement at a summit meeting. If that proves to be the case, and there also is a prospect of reaching agreement on a nuclear test ban, Pres. Eisenhower undoubtedly will agree to meet with Khrushchev. It would be wiser for Eisenhower to run some risk of engaging in a fruitless exchange with the Soviet Premier than to give any impression that he is reluctant to negotiate.

But even if the Soviets get off their high horse at Geneva and a summit conference materializes, it would be a great mistake for the American people to expect very much from it. Khrushchev himself has made it abundantly clear that he did not initiate this round of East-West negotiations with any intention of settling outstanding differences with the West. In launching the Berlin crisis last November, he obviously intended to use the crisis to strengthen the Soviet position in East Germany, and in the process, to confuse and divide the Western alliance.

It surely is time for the democratic peoples to understand what the Soviet game is and to drop the illusion that somehow we can settle all East-West differences on a give-and-take basis. This illusion, if it remains as widespread as it is today, could eventually lead to disaster. It could destroy our will to maintain the kind of balance of power, or nuclear stalemate, that is essential to deter the Soviets from ever risking war.

So long as we maintain this balance of power, and keep even inconclusive talks going, we can be reasonably certain that the Soviets will never want war. However, the very nature of the Communist system and of the Communist faith means that they

do not want an over-all settlement which would bring peace to the world. Co-existence, as the Russians understand it, means only a state of "non-war," punctuated by increases in tension whenever Moscow sees an opportunity to weaken the capitalist world.

This is not the "total peace" that Americans and other democratic peoples long for. It means that the limited settlements we make with the Soviets merely tend to ease the very tensions they have created. But it probably is the only kind of peace we can expect in our generation.

Planless Planning

With the lusty revival of business this spring, a myth has begun to take shape. The myth is that the 1957-58 recession was quickly checked and reversed because the Administration kept a stiff upper lip, did nothing to stimulate the economy, instead adhered strictly to sound fiscal policies.

It is true that in January, 1958, when inventories and capital spending were being slashed and total output was dropping fast, the Administration submitted a fiscal 1959 budget overbalanced to show a \$600-million surplus. But that budget was only remotely related to what actually happened in fiscal 1959. This month the government will close out the fiscal year with the biggest peacetime deficit in U.S. history. That deficit of \$13-billion resulted from a rapid increase in direct federal spending and from a willingness to let tax receipts fall.

This combination of budget balancing as a goal and deficit spending as a fact has occurred before. Indeed, it has become standard for both Republicans and Democrats to produce delicately balanced budgets which result in either whopping deficits or modest surpluses, depending how business goes.

There's something to be said for this sort of left-handed contracyclical policy—but not too much. For the degree of stimulation in the unplanned deficit or the degree of restraint in the unplanned surplus may be only accidentally related to what the economy actually requires. And, at the same time, total government spending over the years tends to grow up to the full level of all the taxes that can be collected. The extra spending that is taken on in bad times is never cut back when the economy starts up again.

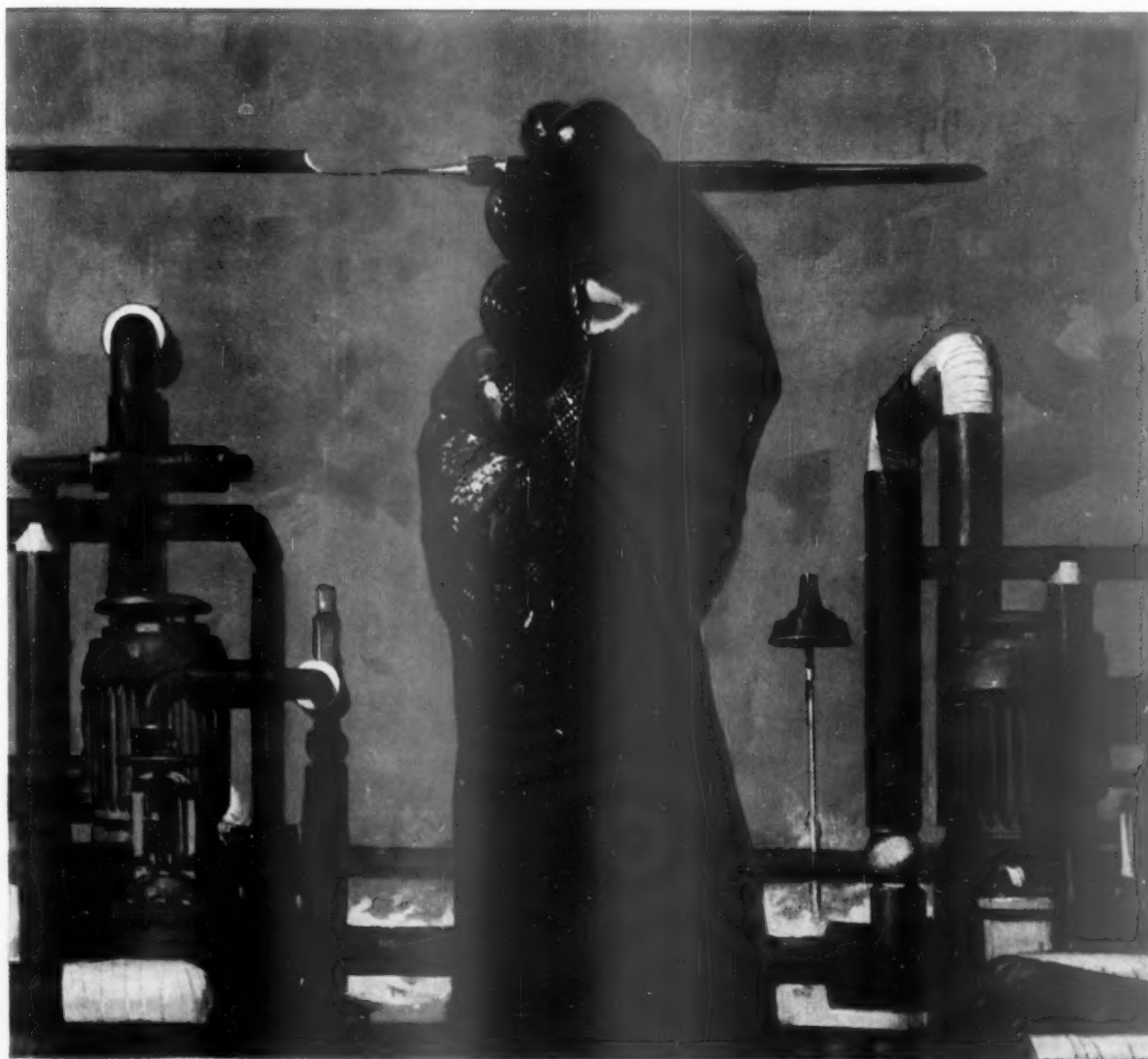
It would not only be less confusing but far healthier for the economy if we kept spending in check and dealt with recessions by reducing taxes. In that way, we would not start each new boom committed to an ever-larger spending program.

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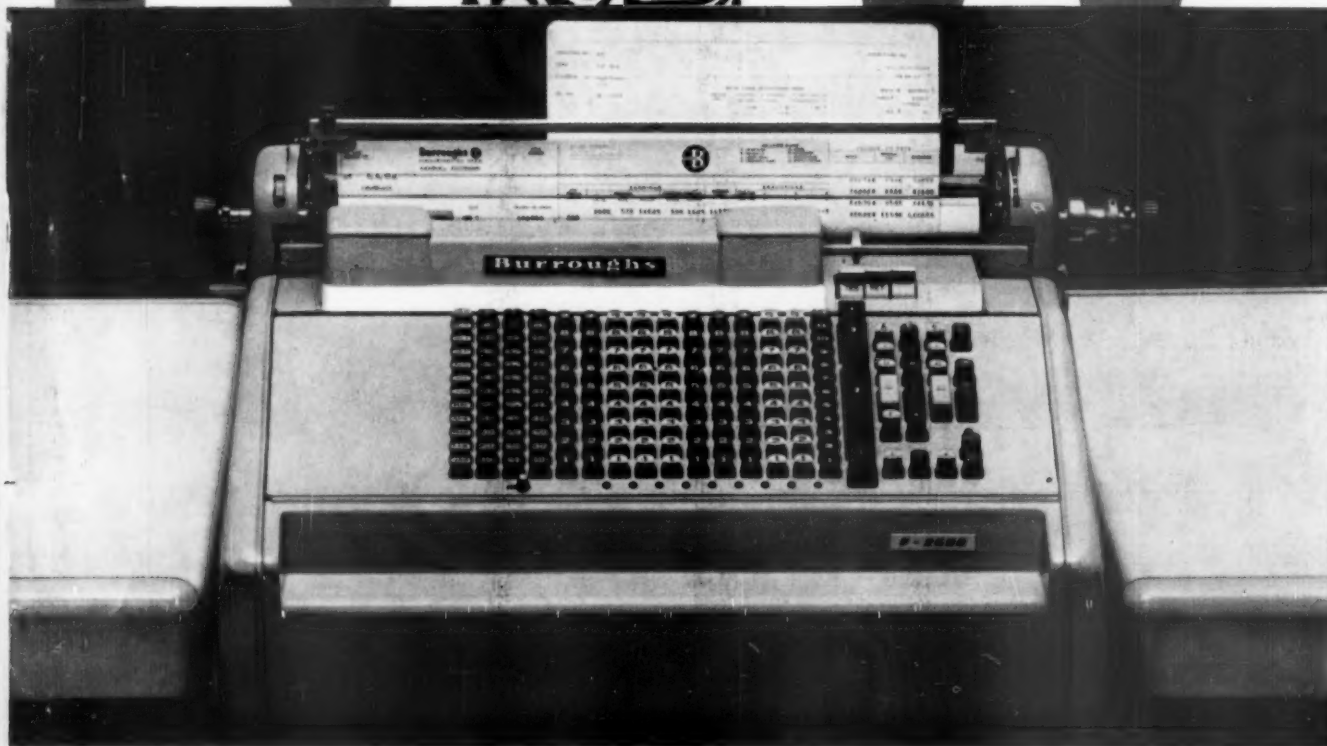
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